



Daily Report

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General

Foreign Ministry Holds Weekly News Briefing

OW0109105388 Beijing Domestic Service
in Mandarin 0930 GMT 1 Sep 88

[From the "National Hookup" program]

[Text] Briefing reporters on the working meeting between Chinese and Soviet vice foreign ministers at the news briefing this afternoon, Chinese Foreign Ministry Spokesman Jin Guihua said: The meeting was held in a businesslike, frank, and pragmatic [ren zhen tan shuai qiu shi] atmosphere. The Cambodian issue, especially the question of complete withdrawal of the Vietnamese troops from Cambodia as soon as possible, was the main subject of the meeting. At the meeting, both the Chinese and the Soviet sides stood for a fair and reasonable [gong zheng he li] settlement of the Cambodian issue by political means. The two sides also stated that they will make further efforts to promote the attainment of this goal [jin yi bu chu shi zhe ge mu biao de shi xian].

The spokesman said: The Sino-Soviet vice ministerial meeting indicated that China and the Soviet Union have common ground as well as differences on the Cambodian issue.

The spokesman believed that the meeting was beneficial and promoted mutual understanding between the two sides.

The spokesman also announced at the briefing: Singaporean Prime Minister Lee Kuan Yew and Mrs Lee will pay an official visit to China from 14 to 22 September at the invitation of the Chinese Government. Sri Lankan Prime Minister Premadasa and Mrs Premadasa will pay an official visit to China from 19 to 26 September at the invitation of Premier Li Peng. Burkina Faso's Minister of External Relations Palm will pay a working visit to China from 13 to 18 September at the invitation of Foreign Minister Qian Qichen.

Assesses Sino-Soviet Talks

OW0109103888 Beijing XINHUA in English
1023 GMT 1 Sep 88

[Text] Beijing, September 1 (XINHUA)—Chinese Foreign Ministry spokesman Jin Guihua said here today the working meeting between Chinese and Soviet vice-foreign ministers which ended here today is "beneficial" and "has promoted mutual understanding of the two sides".

At this afternoon's weekly news briefing, Jin expressed the hope that the meeting would contribute to the improvement of the Sino-Soviet relations.

When asked about the details of the meeting, Jin said that the two sides held four lengthy sessions which were focused on the Kampuchean issue, especially the complete withdrawal of Vietnamese troops from Kampuchea as soon as possible.

News on the meeting will be released soon by the two sides, Jin said.

He described the atmosphere of the meeting as "business-like, frank and pragmatic". During the meeting, he said, both sides stood for a fair and reasonable settlement to the Kampuchean issue by political means and expressed their willingness to do their best to promote the attainment of this goal.

The meeting also showed that the two sides had common ground as well as differences, Jin said. But he did not mention what the differences are.

"The Soviet Union is the sole direct supporter of the Vietnamese invasion and occupation of Kampuchea," he said.

"On the question of urging Vietnam to pull all its troops out of Kampuchea as soon as possible, the Soviet Union should and can play its due role," he said.

He told reporters that the two sides did not discuss schedules for their next meeting.

When asked to comment on the statement of Nguyen Co Thach on August 30, the spokesman said that the only way out for Vietnam, the aggressor, is to withdraw all its troops from Kampuchea as soon as possible, adding that Nguyen's statement once again shows Vietnam's insincerity for a political settlement of the Kampuchea question.

In response to the question when the Chinese and Soviet foreign ministers will meet, the spokesman said that as the meeting is an important event, appropriate atmosphere and condition are necessary. The two ministers will exchange visits when conditions are ripe. "But as to when I just don't know," he said.

Further on Soviet Talks

HK0109085588 Hong Kong AFP in English
0843 GMT 1 Sep 88

[Text] Beijing, Sept 1 (AFP)—Sino-Soviet talks on Cambodia ended here Thursday and despite some differences, both sides found common ground on ways to restore peace to the killing fields, a Chinese Foreign Ministry spokesman said.

But China still maintains that Vietnam is less than sincere in searching for a political settlement to the Cambodian crisis, ministry spokesman Jin Guihua told a weekly press briefing.

The unprecedented secret discussions—which began Sunday between Soviet Vice Foreign Minister Igor Rogachev and Chinese counterpart Tian Zengpei—had unfolded “in a businesslike, frank and pragmatic atmosphere,” Mr Jin said.

“The two sides held four lengthy sessions altogether, which were focussed on the discussion of the Cambodian question—especially the question of the total withdrawal of Vietnamese troops from Cambodia as soon as possible.

“During the meeting the two sides stood for a fair and reasonable settlement to the Cambodian question. The meeting also showed that the two sides found common ground as well as differences,” he said.

But he added: “Up to now, Vietnam still lacks sincerity for the political settlement of the Cambodian question.” He added that the Soviet Union “should and can play its due role” in encouraging a Vietnamese withdrawal.

Mr Rogachev was to meet later Thursday with Chinese Foreign Minister Qian Qichen before leaving Friday for Moscow. A joint communique is also to be issued, said Mr Jin, without saying when.

China backs the Cambodian resistance movement—including the Khmer Rouge—in its guerrilla war against an estimated 120,000 Vietnamese troops in the country. Moscow is Vietnam’s main source of economic and military aid.

As the talks drew to a close, China demanded in print that Vietnam pull out of Cambodia immediately and abstain from playing a role in the formation of a new government in Phnom Penh. The demand was contained in a NEW CHINA NEWS AGENCY commentary published in the PEOPLE’S DAILY and other newspapers.

“The withdrawal is the sole answer to a political settlement of the Cambodian tragedy. The government that will follow is crucial to guarantee Cambodia’s independence, neutrality and non-alignment after the Vietnamese leave,” it said.

“Vietnam, which invaded Cambodia in December 1978, has no right to interfere in the formation of the future Cambodian Government. It is, however, obliged to withdraw its troops as soon as possible,” it said.

It said a return to power of the Khmer Rouge—under whose iron-fisted rule millions of Cambodians died in 1975-79—is a “non-existent danger,” yet Vietnam was using this as a pretext to establish a new government drawn exclusively from the current pro-Hanoi government of Premier Hun Sen.

The commentary justified the support Beijing has given to the Khmer Rouge, saying: “If Vietnam’s plot to ‘eliminate the Khmer Rouge’ succeeds, there would be no opposition forces inside Cambodia.”

Mr Jin, the Foreign Ministry spokesman, said the Tian-Rogachev meeting—the first ever held by China and the Soviet Union especially on Cambodia—was “beneficial” in improving overall Sino-Soviet relations.

“It has enhanced mutual understanding of the two sides. We hope the meeting can be conducive to the improvement of relations between the two countries,” he said.

China considers Soviet support for Vietnam’s occupation of Cambodia as an obstacle in the normalization of their bilateral relations in the aftermath of the 1960 Sino-Soviet split over ideological and strategic differences.

It has made the prospect of a summit meeting between senior leader Deng Xiaoping and Soviet chief Mikhail Gorbachev conditional to Moscow actively pressing Hanoi to pull out of Cambodia.

‘Gratified’ by Romania-Hungary Summit

OW0109102788 Beijing XINHUA in English
1006 GMT 1 Sep 88

[Text] Beijing, September 1 (XINHUA)—China is “gratified to learn that the leaders of Romania and Hungary held a meeting to exchange views on questions concerning their bilateral relations.”

Chinese Foreign Ministry Spokesman Jin Guihua made this remark at today’s weekly news briefing, when asked to comment on the recent Romanian-Hungarian summit.

Both Romania and Hungary are China’s friendly countries, the spokesman said. [sentence as received]

Announces Singaporean Leader’s Visit

OW0109073888 Beijing XINHUA in English
0727 GMT 1 Sep 88

[Text] Beijing, September 1 (XINHUA)—Prime Minister Lee Kuan Yew of the Republic of Singapore and his wife will pay an official goodwill visit to China from September 14 to 22 at the invitation of the Chinese Government.

This was announced by Jin Guihua, spokesman of the Chinese Foreign Ministry, at a weekly news briefing here this afternoon.

Announces Sri Lankan Leader's Visit

OW0109075588 Beijing XINHUA in English
0744 GMT 1 Sep 88

[Text] Beijing, September 1 (XINHUA)—Prime Minister Ranasinghe Premadasa of the Democratic Socialist Republic of Sri Lanka and his wife Madam Hema Premadasa will pay an official goodwill visit to China from September 19 to 26 at the invitation of China's Premier Li Peng.

This was announced by a Chinese Foreign Ministry spokesman Jin Guihua at this afternoon's news briefing here.

Burkinabe Minister's Visit Noted

OW0109080988 Beijing XINHUA in English
0757 GMT 1 Sep 88

[Text] Beijing, September 1 (XINHUA)—Jean Marc Palm, minister of external relations of Burkina Faso, will pay a working visit to China from September 13 to 18 at the invitation of China's Foreign Minister Qian Qichen.

This was announced by Jin Guihua, a Chinese Foreign Ministry spokesman, at a weekly news briefing here this afternoon.

Qian Qichen Meets USSR's Rogachev 1 Sep

OW0109120688 Beijing Television Service
in Mandarin 1000 GMT 1 Sep 88

[Text] Minister of Foreign Affairs Qian Qichen met with Soviet Deputy Foreign Minister Rogachev and his party, who have come to Beijing to take part in a working conference between Chinese and Soviet deputy foreign ministers on the Cambodian question, at the Ministry of Foreign Affairs this afternoon. [video shows medium shots of Qian Qichen shaking hands with Rogachev and other members of the Soviet delegation in a room]

U.S., Soviet Arms Negotiators Arrive in Geneva

OW2808143688 Beijing XINHUA in English
0721 GMT 28 Aug 88

[Text] Geneva, August 27 (XINHUA)—U.S. and Soviet negotiators arrived here Saturday for a third round of talks aimed at mutually acceptable limits on nuclear tests.

Paul Robinson, head of the U.S. delegation to the talks beginning Sunday, told reporters that he expected "good progress," and hoped for an agreement on effective verification procedures.

Soviet chief negotiator Igor Palenikh said at Geneva Airport that the new round should become a "milestone event." The negotiators will be working on new sections to add to two treaties which both countries signed: the 1974 Threshold Test Ban Treaty (TTBT), and the 1976 Peaceful Nuclear Explosions Treaty (PNET).

The treaties restrict military and civilian underground nuclear blasts to 150 kilotons (150,000 tons of TNT), but were never ratified since the United States said measures were inadequate to check on the sizes of the explosions.

Negotiations on a ratification protocol started early this year. A joint U.S.-Soviet verification of nuclear explosions was conducted in the Western U.S. state of Nevada on August 17, and the second will be at the Soviet testing site in Semipalatinsk on September 14.

Robinson said the new round of talks would be interrupted while officials go to Semipalatinsk, but they will be resumed after that.

3d-Round Talks Begin

OW3008114088 Beijing XINHUA in English
0823 GMT 30 Aug 88

[Text] Geneva, August 29 (XINHUA)—The third round U.S.-Soviet negotiations on nuclear testing began here today aiming to reach an agreement on verifying in the near future two already-signed treaties limiting nuclear tests.

The two treaties are the Nuclear Test Ban Treaty (TTBT) in 1974 and the Peaceful Nuclear Explosions Treaty (PNET) in 1976. Both of which limit underground nuclear test explosions to 150 kilotons. A U.S. spokesman said that the one-to-one meeting held between the head of the U.S. delegation Paul Robinson and his Soviet counterpart Igor Palenikh at the U.S. Permanent Mission today prevailed in a studious atmosphere. The first two weeks of this round of talks, though not yet fixed, are to be devoted to the verification protocol for the PNET treaty.

The talks will be interrupted for one week because part of the two delegations will go to the Soviet Union to attend the second joint nuclear experiment on the Semipalatinsk testing ground. The first experiment reportedly took place on August 17 in Nevada, the United States.

The two delegations will discuss the TTBT treaty protocol after they made a complete analysis on the result of the second joint experiment.

Differences still exist between the two sides on the total elimination of nuclear tests. The United States holds that elimination of all nuclear testing should go parallel with the reduction as well as elimination of all nuclear arms while the Soviet Union does not agree to it.

United States & Canada

U.S. Says Krasnoyarsk Radar Obstructs Talks

OW0109075688 Beijing XINHUA in English
0617 GMT 1 Sep 88

[Text] Geneva, August 31 (XINHUA)—The United States Wednesday warned that the conclusion of any future accord on the reduction of strategic nuclear weapons or space-based weapons is impossible unless the Soviet Union dismantles a radar facility in Siberia.

"The Soviet Union's deployment of a large phased-array radar near Krasnoyarsk constitutes a significant violation of a central element of the ABM Treaty," said the U.S. delegation in a statement here after a week-long review of compliance with the 1972 Anti-Ballistic Missile (ABM) Treaty.

The statement said, "the United States cannot continue to tolerate this clear and serious treaty violation." "Until the Krasnoyarsk radar is dismantled, it will continue to raise the issue of material breach and proportionate responses," it added.

The United States, the statement said, reserves the right to take measures of appropriate and proportionate riposte in the future in line with the international laws.

The ABM Treaty, which was signed by the United States and the Soviet Union in 1972, restricts each side to the deployment of anti-ballistic missile system. The two sides accused each other of violating the treaty.

A serious deadlock between the two superpowers was clear after an inconclusive third five-year review of the treaty beginning on August 24.

The U.S. delegation to the ABM review, held every five years, was led by Major-General William Burns, director of the U.S. Arms Control and Disarmament Agency.

Viktor Karpov, Soviet arms control chief who headed the Soviet team in the talks, is expected to call a news conference Thursday afternoon.

The Soviet Union also frequently charges that the U.S. Administration's proposed Strategic Defence Initiative (SDI) violates the ABM Treaty.

U.S. Notes Soviet Violation of Geneva Accords
OW0109003288 Beijing XINHUA in English
2344 GMT 31 Aug 88

[Text] Washington, August 31 (XINHUA)—The United States today urged the Soviet Union to stop sending Soviet-based aircraft to bomb Afghan resistance positions, and said the attack is a violation of the Geneva accords on Afghanistan.

"We noted the reports indicating that the Soviets have admitted publicly to having employed aircraft based in the Soviet Union in the battle for Konduz. We hope that they will cease this practice," said Phyllis Oakley, a State Department spokeswoman, at a press briefing today.

The spokeswoman added, "These raids came from bases inside the Soviet Union. Therefore, in our view, it was a violation" of the April Geneva accords on the settlement of Afghanistan.

In the Geneva agreement, Mrs Oakley emphasized, the Soviets agreed to refrain from any form of interference or intervention in the internal affairs of Afghanistan.

She said the United States is in regular contact with the United Nations monitoring mission on questions relating to the implementations of the provisions of the Geneva accords.

She said, "It was a matter of concern to us that we were raising with UNGOMAP," the United Nations Good Offices Mission in Afghanistan and Pakistan.

The State Department has said that in the last two weeks the Soviet Union had redeployed troop reinforcements to Konduz, an Afghan provincial capital just 27 miles south of the Soviet border, to bolster Afghan Government troops and had been also engaged in heavy bombing and artillery shelling of guerrilla positions by using warplanes based inside the Soviet territory.

But Oakley said the United States does not regard the transfer of some of the remaining Soviet combat and artillery units from other parts of Afghanistan as a violation of the Geneva accords.

The Geneva accords call for the withdrawal of half the estimated 115,000 Soviet troops in Afghanistan by August 15, and a total pullout of all troops by February 15, 1989.

Earlier, the State Department said that it believed the Soviets had met the August 15 deadline for a 50 percent reduction in Soviet forces in Afghanistan, but urged the Soviets to fulfill the primary objective of the Geneva accords, a total Soviet withdrawal from Afghanistan by February 15.

Daily Notes Change in U.S. Trade Policy
HK0109043388 Beijing RENMIN RIBAO
in Chinese 26 Aug 88 p 7

["Commentary" by Staff Reporter Jing Xianfa (2529 2009 3127): "A Major Change in U.S. Trade Policy"]

[Text] Washington, 25 Aug—On 23 August President Reagan formally signed the U.S. "1988 Comprehensive Trade and Competition Bill." After repeated deliberations by Congress for the past 3 years or so, this bill, which has a strong protectionist flavor, has finally become law, thus bringing about a major change in U.S. "free trade" policy, which came into force after the war.

Among other things, this comprehensive trade bill includes requiring the President to take retaliatory action against "unfair trade" practices of foreign countries; expanding the definition of "unfair trade"; imposing anti-dumping and anti-subsidies taxes; applying sanctions against countries that violate "U.S. knowledge proprietorship"; authorizing the President to stop, when necessary, the purchase of U.S. enterprises by foreign

countries; exercising strict control over the exports of U.S. telecommunications products and services; strengthening multilateral control over the exports of hi-tech products; and increasing subsidies for the exports of agricultural products.

This bill is a product of the continuous deterioration of U.S. trade deficits since the early eighties and is also the result of a U.S. economic policy adjustment aimed at countering Western Europe and Japan that began to rise after the war.

The increase in U.S. trade deficits has brought about a continuous rise in feeling among U.S. trade protectionists in and outside the government. As soon as President Reagan assumed his second term of office, Congress began to consider substituting a new bill for the 1974 one.

Although President Reagan "always favored a free trade policy," once criticized the Congress for "seeking retaliation and self-destruction," and vetoed the previous bill approved by the Congress, he vetoed the bill just because it included provisions irrelevant to trade, such as "requiring enterprises to give 60 days notice to their employees before closing down." Therefore, "unfortunately," said the British *ECONOMIST*, this trade bill could be "resubmitted to the White House for signing" after "this provision is deleted." After putting the bill to vote in mid-August, Congress separated the provision on "enterprises' closing down" from the bill. Finally Reagan signed the bill he had originally vetoed.

President Reagan's attitude of first being supercilious and then deferential was out of political consideration. To a large extent, the trade bill was initiated by the Democrats, one of whom was Democratic vice president candidate Bentsen. During this electoral year (the Congress is also facing an election this autumn), the Republican Party is worried that the Democratic Party will win more votes on matters of trade legislation. Therefore, Republican senators in the Congress began to change their minds, and Republican leaders in the Senate and House of Representatives also advised Reagan to change his original stand for the sake of the election.

Major West European countries and Japan expressed strong dissatisfaction at the trade bill. Upon hearing that Reagan had agreed to sign the bill, West German Economics Minister Bangemann said: The bill "will certainly become a heavy burden on international free trade."

This trade bill may possibly constitute a bigger threat to developing countries. For example, GATT stipulates that preferential treatment should be provided for developing countries, but the U.S. trade bill unilaterally requires that like developed countries, developing countries should assume "full responsibility" and "fair duty" in bilateral trade, thus preventing them from enjoying nonreciprocal trade preferences.

The substitution of "fair trade" for "free trade" indicates a major change in post-war U.S. trade policy. The fundamental cause of this change is that the economic strength of the United States, Western Europe, Japan, and some newly emerging developing countries no longer remains as it was in the past. The original status of economic reliance has ended. However, like the U.S. 1930 "Holley-Smoot tariff bill" which finally brought about a serious depression, the 1988 comprehensive trade bill may be a medicament that will lead to just the opposite.

U.S. Conducts Weapons-Related Nuclear Test
OW3108085888 Beijing XINHUA in English
0645 GMT 31 Aug 88

[Text] Washington, August 30 (XINHUA)—The United States today conducted a weapons-related nuclear detonation at the Nevada test site, the 10th reported test this year.

The U.S. Energy Department said the test, code-named Bullfrog, took place in a 1,600-foot shaft at Yucca Flats, 85 miles northwest of Las Vegas at 11 a.m. local time.

The test produced an explosion of less than 150 kilotons, the limit under U.S.-Soviet nuclear test treaties signed in 1974 and 1976.

Earlier this month, the United States carried out another nuclear test at the same site for Soviet scientists to test their monitoring procedures. U.S. scientists are now at work in the Soviet Union preparing to monitor a Soviet nuclear test on September 14.

No Soviet scientists were involved in monitoring today's test, the Energy Department said.

Soviet Union

Tian-Rogachev Talks, Ties With USSR Viewed
HK0109094288 Hong Kong HSIN WAN PAO
in Chinese 1 Sep 88 p 1

["New Talk" Column: "Kremlin Is Trying To Work Out a New Asia Policy"]

[Text] The meeting between Chinese Vice Foreign Minister Tian Zengpei and Soviet Vice Foreign Minister Rogachev on the Cambodian issue is drawing to an end. Diplomats in Beijing are all watching, wondering whether this meeting will lead to new developments in Sino-Soviet relations or even higher-level talks.

Rogachev arrived in Beijing last Saturday [27 August] and the two foreign ministers started their talks on the Cambodian issue on Sunday. It is reported that they have finished discussing the Cambodian situation after talking for 4 days. Quoting informed sources, a foreign news agency has reported the following two points: First, the two foreign ministers will proceed to discuss overall

Sino-Soviet relations today and, second, before he returns to the Soviet Union tomorrow, Rogachev will meet China's new foreign minister Qian Qichen. This report even goes on to say: "If they have not made some progress, it is rather unlikely that Rogachev will meet Qian Qichen."

The normalization of Sino-Soviet relations is a long-standing problem. China has always maintained that three obstacles are preventing this normalization. These three obstacles are the Soviet invasion of Afghanistan, the deployment of a large Soviet army along Sino-Soviet borders, and Soviet support for Vietnamese aggression against Cambodia.

In the summer of 1986, while attending a naval ceremony at Vladivostok, Soviet leader Gorbachev delivered a speech on his Asia policy. In his speech, he expressed the hope for better Sino-Soviet relations, the withdrawal of Soviet troops from Afghanistan, and reductions in the number of troops stationed along Sino-Soviet borders. However, he did not mention the Cambodian situation in that speech.

Deng Xiaoping did respond to it at that time. So long as the three obstacles are removed, he is willing to personally go to the Soviet Union to meet Gorbachev. China's foreign affairs departments have repeatedly indicated that of the three major obstacles, the Cambodian issue is most crucial to the normalization of Sino-Soviet relations.

Two years have passed since Gorbachev delivered his Vladivostok speech. So far the Soviet Union has withdrawn half of its troops from Afghanistan. Word has come from Moscow that Gorbachev is going to deliver another speech in September on his Asia policy. That Rogachev has been sent to discuss the Cambodian issue with China may have something to do with this speech.

As this round of talks was proposed by the Soviet Union, as the Soviets have come to China this time and, in view of China's persistent stand on the Cambodian issue, diplomats in Beijing have concluded that Rogachev must have brought with him a new Soviet proposal. Before Rogachev's arrival in Beijing, Zhao Ziyang indicated he attached importance to both principles and flexibility while speaking to Japanese Prime Minister Noboru Takeshita on his views on the Cambodian situation. Therefore, people's opinions have shown optimism over the past few days.

Whether Gorbachev will produce a new Asian policy remains to be confirmed. At present, as the United States is preoccupied with its presidential election and Reagan is about to leave office, there will not be any new developments in U.S.-Soviet relations. From a long-term point of view, as the international politico-economic status of the Asia-Pacific region is steadily on the rise, if the Soviet Union does not try to improve its relations

with China, it would be difficult for its relations with other Asian countries to develop. Therefore, one would not be surprised if the Soviet Union really has some new considerations.

USSR Admits Bombing Afghan Opposition
OW3108183588 Beijing XINHUA in English
1741 GMT 31 Aug 88

[Text] Moscow, August 31 (XINHUA)—Planes based in the Soviet Union were used in the Kunduz area in fighting Afghan opposition forces earlier this month, a Soviet spokesman said today.

Gennadiy Gerasimov, head of the Information [as received] of the Soviet Foreign Ministry, told a news briefing here this afternoon that Afghan opposition forces broke into Kunduz earlier this month following the Soviet troop withdrawal from that area.

According to the spokesman, planes took off from Soviet territory to fulfil urgent missions for operations against Afghan opposition forces.

He argued that during that time there were still some small military units of Soviet troops and Soviet civilians in the area of the town of Kunduz, whose evacuation had yet to be completed.

The Soviet spokesman's remarks were in response to the U.S. State Department's charge Monday that the Soviet Union had violated the Geneva accords on the settlement of the Afghan problem by supporting the Kabul regime in fighting Afghan opposition forces in Kunduz, in particular with help of military aircraft.

However, Gerasimov claimed that "there might not have been such events in Kunduz if the United States had exerted corresponding influence on Pakistan", which he accused of interfering in the internal affairs of Afghanistan.

USSR Delegation Concludes Liaoning Visit
SK0109040288 Shenyang Liaoning Provincial
Service in Mandarin 2200 GMT 31 Aug 88

[Text] The Soviet Union's seven-member Altay Kray delegation satisfactorily concluded its 10-day visit in our province, and left Shenyang for home.

During its visit, the delegation conducted investigations at some plants, shops, and farm product markets in Shenyang, Dalian, and Anshan, and participated in the trade talks sponsored by the provincial (Youlian) International Economic and Trade Corporation. It also signed letters of intent to further develop economic and technical cooperation and trade relations between the province and the kray, and some contracts on goods exchange with total transactions worth 10 million Swiss francs with the provincial (Youlian) corporation and other departments.

Northeast Asia

Song Ping Optimistic About Summit With USSR *OW0109115688 Tokyo KYODO in English 1138 GMT 1 Sep 88*

[Text] Tokyo, Sept. 1 KYODO—A senior Chinese Communist Party official said here Thursday China is optimistic about the prospects of a Sino-Soviet summit meeting.

Song Ping, a Politburo member and head of the Chinese Communist Party's Organization Department, revealed his optimism in a meeting with Tsuruo Yamaguchi, secretary general of the Japan Socialist Party, JSP officials said.

Song told Yamaguchi that China is optimistic about the prospect of a Vietnamese troop withdrawal from Kampuchea, noting that Beijing regards the pullout as a precondition for a Sino-Soviet summit.

China and the Soviet Union, which support opposite sides in the Kampuchean conflict, ended five days of talks in Beijing Thursday over a settlement to the Kampuchean issue.

China, which supports resistance groups fighting the Hanoi-installed government in Phnom Penh, has urged the Soviet Union to put pressure on Vietnam to withdraw all of its 100,000 troops from Kampuchea.

Song also told Yamaguchi that China and the Soviet Union have made progress on negotiations on border disputes and there has been a rise in economic, trade, cultural and personnel exchanges between the two countries.

Song, in Tokyo since Wednesday [31 August], is leading an eight-member party mission for an eight-day visit at the invitation of the JSP.

During the three-and-a-half hour meeting at the JSP head office, Song said China seeks a relaxation of tensions on the Korean peninsula and supports tripartite talks among the United States, and North and South Korea.

China hopes the problems on the Korean peninsula will be resolved through dialogue, Song was quoted as saying.

Song also said Prime Minister Noboru Takeshita's visit to China in late August was a success.

Yamaguchi said his party welcomes the recent improvement in Sino-Soviet relations and hopes the two countries will hold a summit meeting.

He said the JSP hopes for an early and peaceful reunification of Korea, and added that he hopes the JSP and the Chinese party can cooperate to help achieve peace on the Korean peninsula.

Yamaguchi said his party is critical of the defense policy of the Japanese Government allowing defense spending to exceed 1 percent of gross national product.

He said there is no economic power in history that has not also become a military power.

The JSP leader said it is natural for Japan to assist China in its economic development and that his party hopes China's economic and political reforms will be successful.

Official Visit by Japan's Takeshita Reviewed *OW3108205988 Beijing XINHUA Domestic Service in Chinese 1155 GMT 30 Aug 88*

[By reporter Zhu Yunlong]

[Text] Beijing, 30 Aug (XINHUA)—On the occasion of the 10th anniversary of the signing of the Sino-Japanese Peace and Friendship Treaty, Japanese Prime Minister Noboru Takeshita and his wife paid an official visit to China from 25 to 30 August. They were accorded a grand and warm reception by the Chinese Government and the people.

Chairman Deng Xiaoping and China's other principal leaders Zhao Ziyang, Yang Shangkun, Li Peng, and others met with Takeshita.

In line with Takeshita's wishes, the Chinese side made arrangements for him to visit the Dunhuang Grottoes and other scenic spots and historical sites. This is the first time that a foreign government leader has visited Dunhuang. Therefore, the relevant departments and the local people there made ample preparations.

Prime Minister Takeshita's visit was "very successful." Premier Li Peng made such a remark when he telephoned Takeshita to extend farewell greetings before Takeshita left China for home.

When the Chinese leaders met with Takeshita, both sides stressed that the development of friendly relations between China and Japan is an important topic in shaping each nation's foreign policy. Both sides held that Sino-Japanese friendly relations and cooperation are conducive not only to the peoples of the two countries, but also to promoting peace and stability in the Asia-Pacific region and the world. Both sides emphasized the need to develop bilateral relations on the basis of the principles and spirit laid down by the China-Japan Joint Statement and the Sino-Japanese Peace and Friendship Treaty, in order to strengthen dialogue and to appropriately solve the problems between the two countries.

On some major international issues, the views of both sides are either identical or similar.

Takeshita pointed out emphatically: With regard to the Kokaryo case, Japan will adhere to the principle of "one China." He also said that Japan welcomes the continuous increase in exchanges on both sides of the Taiwan Strait.

During his visit to China, Takeshita also announced that the Japanese Government will extend about 810 billion yuan in new loans to China in the 6 years beginning from 1990. The two governments also signed agreement on encouraging and protecting each other's investments. Takeshita also said that Japan will cooperate with China's modernization program as far as possible.

One of the special features of Takeshita's visit this time was his stress on the development of cultural exchanges.

Sources concerned said that the fact that Takeshita wanted to visit Dunhuang and Xian showed that he attached great importance to the cultural exchanges between Japan and China. One of the three pillars of Japan's "conception for international cooperation" put forward by Takeshita is to promote international cultural exchanges.

At the banquet to welcome him in Dunhuang, Takeshita said: Dunhuang is one of the centers for cultural and material exchanges between the East and the West, as well as an origin of Japanese culture. He also delivered a speech in Xian, saying: "Where I stand right now is one of the origins of Japanese culture. It may also be regarded as the 'spiritual cradle' for the Japanese." Takeshita also made a proposal to promote cultural exchanges between Japan and China, including the extension of personnel exchanges, the promotion of heart-to-heart communication between the two peoples, and cooperation between the two sides for the preservation of cultural relics and historical remains.

The development of friendly relations and cooperation between China and Japan accords with the will of the people. It has excellent prospects, but the task remains arduous.

Right now, bilateral trade between China and Japan is developing in the direction of achieving an active balance. This is a gratifying sign. However, continuous efforts from both sides are still needed in order to further expand bilateral trading.

The amount of loans provided by Japan to China is considerable, but the amount of investments made by the Japanese business circles in China is not so large. When Deng Xiaoping met with Takeshita, he said that it is hoped that Japan can quicken its pace in transferring technology and making direct investments in China. This is more important than loans.

Sources concerned held that the signing of the Sino-Japanese agreement on protecting investments will provide favorable conditions to attract more Japanese enterprises to make investments in China. In order to create a new situation for strengthening cooperation between the two countries in terms of investment, the Chinese side should continue to exert efforts in improving its investment environment. On the other hand, the Japanese side should also adopt specific supportive measures to encourage such investments.

It has been reported that Japan will dispatch a large investment climate investigation group to China late this year. This will help Japanese enterprises make investments in China.

In recent years, there have been obstacles in the development of Sino-Japanese relations. The main thing is whether or not one can correctly deal with that sector of history in the past and appropriately handle the relations between Japan and Taiwan. This is an important issue of principle in Sino-Japanese relations—something that can easily hurt the feelings of the Chinese people.

People have noted that during Takeshita's visit to China, he repeatedly declared that Japan's fundamental policy toward China is based on a serious retrospection of history and that it will attach importance to developing the friendly relations between Japan and China on the basis of the Japan-China Joint Declaration, the Treaty of Peace and Friendship between Japan and China and the four principles of Japan-China relations.

When meeting Takeshita, Chairman Deng Xiaoping said: "We warmly welcome you. I would like to express the hope that a new relationship with a level not lower than that during the Tanaka and Ohira era can be established between our two countries." It can be said that this hope reflects the feelings of all the people in our two countries who are determined to develop long-term friendship between China and Japan.

We hope that after Prime Minister Takeshita's recent visit to China, Sino-Japanese relations will further improve.

Li Xiannian Meets DPRK Front Delegation
OW3108105388 Beijing XINHUA in English
0952 GMT 31 Aug 88

[Text] Beijing, August 31 (XINHUA)—The five principles of peaceful co-existence not only suit countries with different social systems but also those with identical social systems, said Li Xiannian, chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), here today.

He said this at a meeting with a delegation from the Democratic Front for the Reunification of the Fatherland of the Democratic People's Republic of Korea (DPRK).

Li said that every country should carry out construction according to its own conditions and other countries should not interfere.

Yo Ho-Hun, head of the delegation and secretary-general of the secretariat of the Front's Central Committee, said that during their stay in China, he and others in the delegation have seen progress in socialist construction made by the Chinese people by following the policies of reform and opening to the outside world.

He said the Korean people attach great importance to the relations with the Chinese people.

Li said that during the years of revolutionary struggle, the two peoples had helped each other.

President Li asked Yo Ho-Hun to convey his best regards to president Kim Il-song and Kim Chong-il, and Yo Ho-hun conveyed Kim Il-song and Kim Chong-il's best regards to Li Xiannian and other Chinese leaders.

Arriving in China August 22, the Korean guests have toured Beijing, Xian and Chengdu.

DPRK-S. Korean Lawmakers Meet in Panmunjom
OW3008134688 Beijing XINHUA in English
1058 GMT 30 Aug 88

[Text] Pyongyang, August 30 (XINHUA)—The Democratic People's Republic of Korea (DPRK) will keep its door open for parliamentary talks with South Korea at the truce village of Panmunjom, local press reports said today.

South Korea should be held responsible for the temporary suspension of contacts between lawmakers on both sides of Korea, the press reports quoted a statement issued Monday by five legislators as saying.

The five people had four rounds of preliminary talks with a five-member parliamentary delegation from South Korea at Panmunjom from August 19 to 26.

The suspension has made impossible the convening of a full North-South joint parliamentary conference and discussions over the co-hosting of the Olympic Games scheduled to start on September 17 in Seoul, the statement said.

During the fourth round of talks between the two parliamentary delegations on August 26 at Panmunjom, the southern side proposed that the fifth round be postponed until October 13. The northern side agreed.

The two parliamentary delegations began their talks at Panmunjom at the DPRK's request to prepare for a full North-South joint parliamentary conference to discuss a joint declaration of non-aggression and the co-hosting of the Seoul Olympics.

Southeast Asia & Pacific

Demonstrations Continue in Burma 31 Aug
OW3108162288 Beijing XINHUA in English
1556 GMT 31 Aug 88

[Text] Rangoon, August 31 (XINHUA)—Peaceful demonstrations were held separately today in Rangoon, capital of Burma, by groups of people including those of students, workers and government factions.

The demonstrators made speeches at some gatherings demanding the authorities to form an interim government and practice multi-party system.

In the past few days, mass organizations, including students union, workers union and some democratic committees, were formed in this country.

This afternoon, a demonstration was held in front of the Burma Foreign Trade Bank by several hundred people, including students and bank staffs. It had been said that a Swiss bank had asked the Burma Bank to pay for expenses of 18 million U.S. dollars which was allegedly spent by U Ne Win when he and his party were abroad. The students and bank staffs asked the bank officials not to pay the expenses.

Rumors prevailed yesterday that the Army will stage a coup, but so far, there is no unusual sign.

A strike has brought Burma's railway system to a standstill nationwide.

Government filling stations here have not supplied gasoline to private cars for five days, only a little were [as received] supplied to diplomatic cars.

Prices of food items here remain high these days.

It is learned that a big mass rally will be held in front of the Rangoon City Hall tomorrow.

Thai Border Closed

OW0109063088 Beijing XINHUA in English
0604 GMT 1 Sep 88

[Text] Bangkok, September 1 (XINHUA)—Thai-Burmese border in Mae Sai District of Chiang Rai Province was sealed off yesterday in compliance with Burmese officials' request, reported "THE NATION" today.

Chiang Rai provincial officials said that the chief of Burma's Tachelaik District requested for the border closure to prevent Thai and Burmese villagers from crossing the border during the current unrest in Burma.

Thai and Burmese villagers normally travel back and forth between the two districts across Mae Sai River on rafts and boats.

Thai traders rushed back from Burma's Tachelaik District after learning of the border closure.

Chiang Rai provincial authorities have set up a border guard unit comprising 60 policemen and 20 military volunteers in Mae Sai. Other police and military forces in the province have also been put on alert.

According to Chiang Rai provincial sources, Burmese authorities reported that about 30 students from Rangoon were mobilizing anti-government demonstrations in Tachelaik and about 1,000 people had joined the move.

Mass Rally Held

OW0109100388 Beijing XINHUA in English
0938 GMT 1 Sep 88

[Text] Rangoon, September 1 (XINHUA)—A huge mass rally was held here at noon following massive demonstrations and processions this morning in Burma's capital city of Rangoon.

Several demonstration groups, from nearly all government departments and corporations as well as universities, colleges and high schools, gathered on the Promenade near the Rangoon General Hospital.

According to witnesses, about 300,000 demonstrators took part in the mass rally.

A four-point decision was made at the mass rally, demanding the authorities to abolish the Constitution, revoke all organs at all levels, form an interim government and hold a multi-party general election.

Burmese Press Supports People

OW0109123088 Beijing XINHUA in English
1058 GMT 1 Sep 88

[Text] Rangoon, September 1 (XINHUA)—A coordination committee including all newspapers, the NEWS AGENCY OF BURMA (NAB) and many publications was formed yesterday. It firmly supports the Burmese people in their struggle, local press reported today.

A meeting attended by representatives of the press has made decisions to call on all public-owned newspapers and periodicals to actively continue supporting the struggle of the people for democracy.

The decisions also demand the freedom of the press and the rights of the workers. They call for joining hands with the colleagues of the Burma Broadcasting Station and the television station in the struggles.

'Political Solution' to Cambodian Problem Sought
OW3108144488 Beijing XINHUA in English
1354 GMT 31 Aug 88

["Commentary: Phnom Penh Regime's Possible Power Grab an Acute Danger (by Chai Ximei)"]—XINHUA headline]

[Text] Beijing, August 31 (XINHUA)—While the world community seeks a political solution to Kampuchea's conflict, two problems loom large in that war-ravaged country: the Vietnamese withdrawal and formation of a Kampuchean government thereafter.

The withdrawal is the sole answer to a political settlement of the Kampuchean tragedy. The government that will follow is crucial to guarantee Kampuchea's independence, neutrality and non-alignment after the Vietnamese leave.

Vietnam, which invaded Kampuchea in December 1978, has no right to interfere in the formation of the future Kampuchean Government. It is, however, obliged to withdraw its troops as soon as possible.

But Vietnam lacks sincerity in settling the Kampuchean issue. It has delayed its pull-out to provide time to strengthen and legalize the Heng Samrin-Hun Sen regime it installed in Phnom Penh. It also has been poking its finger into the formation of an independent Kampuchean Government by saying that the withdrawal must be linked with moves to prevent the Khmer Rouge from returning to power.

However, all that Vietnam wants, as a host of facts have shown, is a Kampuchean Government to its liking and under its direct control—something the Vietnamese have not gained on the Kampuchean battlefield.

While spreading enormous alarm about the non-existent danger of the Khmer Rouge exercising power alone, Vietnam has been engineering a future Kampuchean government with the present Phnom Penh regime alone in power, or a "coalition government" with the puppet regime as the core.

Vietnamese Foreign Minister Nguyen Co Thach recently described Kampuchea as "a cake in Phnom Penh's pocket."

"How can you cut three-fourths of it for others?" He asked. He refused a proposal for a coalition government that would involve the four Kampuchean factions, terming it an "unreasonable demand."

Hun Sen, the Phnom Penh regime's prime minister, issued a seven-point statement in July at Jakarta refusing to dissolve the Phnom Penh regime. In the statement, he demanded that "the status quo in Kampuchea" be maintained and that the Khmer Rouge be excluded from any coalition as "the basis for national reconciliation."

He also attempted to confuse public opinion with his proposal for a "national reconciliation committee" headed by Samdech Norodom Sihanouk in place of a four-party provisional coalition government headed by Sihanouk.

Meanwhile, the three factions of the coalition government of Democratic Kampuchea have made several fair and reasonable proposals and have won wide support.

In March 1986, they advocated in earnest in an eight-point proposal that a national reconciliation government be set up, including the Heng Samrin-Hun Sen faction.

On June 25, the three factions issued a joint statement proposing for the first time that Democratic Kampuchea and the Phnom Penh regime be dissolved simultaneously.

During his recent visit to Tokyo, Sihanouk offered a proposal calling for the complete withdrawal of Vietnamese troops, dissolution of the Vietnam-installed "republic" in Phnom Penh, and dispatching of an international peacekeeping force to Kampuchea.

In a statement on August 15, Democratic Kampuchea side's president, Khieu Samphan, announced his acceptance of international supervision after the Vietnamese withdrawal. He also promised that his faction would not seek a monopoly of power.

Vietnam also has been trying every possible means to beef up the Phnom Penh regime. Under the cover of an announcement that it will pull out 50,000 troops this year, Vietnam has transferred a large quantity of heavy arms to the Phnom Penh troops and put tens of thousands of its troops in the uniform of the puppet forces, or put them in the ranks of "militia."

According to reliable sources, the Phnom Penh regime's troops have expanded to 70,000 men within a year and the militia has grown to tens of thousands, surpassing the total number of the three Kampuchean resistance forces.

The numerically stronger and better-equipped troops of the Vietnam-supported regime may pose the most acute danger to the fair and reasonable formation of a future Kampuchean Government.

Vietnam has also been tightening its control on the Phnom Penh regime by placing its trusted followers in the regime's institutions. On August 20, Phnom Penh reshuffled its cabinet, changing 11 ministers including defense and internal affairs ministers in the name of "retirement" and "replacement."

Vietnam is stepping up its process of "Vietnamization" of Kampuchea by sending a great number of Vietnamese immigrants into Kampuchea by dint of the unequal treaty of "no-visa transit" between Vietnam and the Phnom Penh regime.

There are now at least 700,000 Vietnamese migrants, including many trained Vietnamese of Kampuchean origin, throughout Kampuchea. Many of them are actually reservists.

Due to Kampuchea's tragic recent past, people are worried about a possible return to power by the Khmer Rouge after the Vietnamese withdrawal and this is understandable. But wise politicians will find that the greater and more acute danger is that the Phnom Penh regime will abrogate all powers to itself after the Vietnamese withdraw.

If Vietnam's plot to "eliminate the Khmer Rouge" succeeds, there would be no opposition forces inside Kampuchea. In that case, the Heng Samrin-Hun Sen faction taking power would surely come true.

And more worrisome is that once the Phnom Penh regime's power is legalized, it means acceptance of a fait accompli of Vietnamese aggression, to legalize Vietnam's ceding of Kampuchean territory and islands by unequal treaties, and to legalize the strong dominating the weak's internal affairs.

All these indicate that the efforts of the world community in the past 10 years for a fair solution to the Kampuchean conflict and to safeguard the principles of international laws would be wasted and the ideal advocated by Sihanouk for an absolutely independent Kampuchea, a wish of all peace-loving peoples, could not be realized.

Vietnam To Resume MIA Search With U.S.

OW3108203188 Beijing XINHUA in English
1502 GMT 31 Aug 88

[Text] Hanoi, August 31 (XINHUA)—Vietnam has agreed to resume joint searches with the United States for American servicemen known as missing in action (MIA) in the Vietnam war, the Vietnamese Foreign Ministry has reported.

The ministry made public this morning a letter, containing Vietnam's decision, sent by Foreign Minister Nguyen Co Thach on August 27 to U.S. Special Presidential Envoy John Vessey.

Nguyen Co Thach also agreed to a meeting of experts from the two countries in Hanoi to discuss the MIA search program which was temporarily suspended at the end of July.

In another letter to Vessey dated July 31, Thach announced suspension of the agreement the two countries reached in mid-July on a joint search for MIA's and on emigration to the United States of freed Vietnamese political prisoners.

The foreign minister said that he opposed fresh talks on emigration to the United States of former inmates of re-education camps citing "important differences" and an unfavorable atmosphere.

Vietnam and the United States made their first joint search for MIA's in November 1985 but the operation was abandoned after disagreement erupted over humanitarian problems left over from their war.

Some 1700 U.S. servicemen are listed as MIA's in Vietnam.

CPPCC's Gu Mu Meets New Zealand Delegation
OW0109110788 Beijing XINHUA in English
0827 GMT 1 Sep 88

[Text] Beijing, September 1 (XINHUA)—Gu Mu, vice-chairman of the National Committee of the Chinese People's Political Consultative Conference, met here today an economic, trade and cultural delegation from Wellington, New Zealand, led by Mayor James Bilich.

The New Zealand visitors have come to China for attending the Xiamen City 1988 Cultural and Art Festival. Wellington and Xiamen have established sister city relationship.

Near East & South Asia

Investment in Iran, Iraq to Follow Cease-Fire
HK2908055488 Beijing CHINA DAILY
(BUSINESS WEEKLY) in English 29 Aug 88 p 1

[By staff reporter Qi Hongmin]

[Text] Chinese business people want to take part in economic reconstruction in Iran and Iraq now that a ceasefire is in place.

Ma Zheng, vice-president of the China State Construction Engineering Corporation (CSCEC), the nation's largest overseas construction firm, told BUSINESS WEEKLY that his company would respond to Iran's invitation for foreign investment and co-operation.

Commenting on a recent visit of Chinese officials to Iran, an Iran broadcast said that Iran appreciated the long-term friendship between the two countries. It reported that the Iranian premier wised a bright future in Sino-Iranian economic co-operation.

Ma said Iran is still a new market to CSCEC. But both sides are willing to find opportunities to begin business.

Ma disclosed that the CSCEC—the 60th biggest construction contractor in the world—would send a study group to Iran to explore possibilities for co-operation, including trade and barter trade in consumer goods.

"We hope to include negotiations on contracts for building new projects and the running of existing enterprises for Iran," Ma said. "In view of the present economic situation in Iran, we plan to work together with other Chinese companies such as the Technical Import & Export Corporation."

"As I see it, reconstruction should be mutually-beneficial," Ma said.

The extent of economic damage from eight years of war between Iran and Iraq is hard to imagine, Ma said.

In Iran, for example, the economic damage is equivalent to that of the total gross national product (GNP) in 10 years. Hundreds of factories and plants were forced to halt production and many went bankrupt. Most of the industrial installations and transportation facilities are at a standstill.

The post-war economic reconstruction will provide a huge market in terms of production and investment.

Thus, the end of the war and the ensuing economic recovery in Iran and Iraq will not only benefit those two countries but also offer an opportunity for the world economy as a whole.

Since the ceasefire earlier this month, large numbers of businessmen from Japan, West Germany, South Korea and the United States thronged to the area to drum up new business.

The South Korea Overseas Construction Association estimated that in the coming five years, South Korea would earn \$1 billion to \$5 billion every year from construction projects in Iran and Iraq.

Take Iran for an example, Ma said. The oil industry had long been the economic backbone of the country. But the eight-year war damaged most of the oil installations. So the reconstruction of oil fields, pipes, ports and refineries are a top priority.

Roundup Views Hopes for Gulf Peace Talks
OW3108192688 Beijing XINHUA in English
1442 GMT 31 Aug 88

["Round-up: UN Chief Hopes for 'Significant Progress' in Deadlocked Gulf Peace Talks (by Zhu Jiefei, Li Ruifeng)"]—XINHUA headline]

[Text] Geneva, August 31 (XINHUA)—UN Secretary General Javier Perez de Cuellar today presented to the Iranian and Iraqi delegations a compromise plan, hoping to make "significant progress" in what he described the "make-or-break" Iran-Iraq direct peace talks which entered the sixth day.

Before resuming his shuttle meetings with the two sides this morning in the UN Geneva office, Perez de Cuellar told reporters that he is "very encouraged" by "unanimous support" by all UN Security Council members for his efforts to break the present deadlock in the Iran-Iraq direct negotiations.

After their ministerial-level talks were bogged down last Friday, Perez de Cuellar, supervisor of the Iran-Iraq talks, has tried to produce a compromise proposal aimed at removing obstacles to their agreement on a timetable to consolidate an 11-day Gulf ceasefire.

The proposal, which has accorded what he said "unanimous UN support," reportedly includes a swap between Iran's agreement to stop searching Iraqi vessels in the Gulf to realize free navigation and Iraq's willingness to withdraw its forces from remaining Iranian lands it occupied in the dying days of ceasefire last July.

Iran seemed to accept the proposal. Foreign Minister Ali Akbar Velayati, in an exclusive interview with the French news agency (AFP) here last night, said that Iran will agree to guarantee the freedom of navigation in the Gulf and the Strait of Hormuz if Iraq withdraws from 1,000 sq km of Iranian lands including two cities and several villages.

He expressed "surprise" at Iraq's demand for the rights of free navigation in the Gulf while it still occupies Iranian territories.

Iraqi Foreign Minister Tariq al-'Aziz told a press conference earlier that Iraq refuses to discuss any issues until Iran accepts Iraq's demands on navigation rights and immediately clearing up Shatt al-Arab.

'Aziz said Iran has already benefited from the ceasefire by being able to freely use the Gulf to ship oil and other goods. Iran must stop any hostile action not only on land, in the air but also at sea to ensure "the equitable balance of benefit," he added.

While exchanging accusations and denials of setting pre-conditions obstructing the Geneva talks, Iran and Iraq disputed vehemently on the issue of sovereignty over Shatt al-Arab.

Iran repeated the validity of the 1975 Algiers border treaty signed by the late Shah of Iran and President Saddam Husayn of Iraq, which stipulated the borderline running through the center of the waterway's deepest channel.

But Iraq claimed "full sovereignty" over the 200-kilometer-long Shatt al-Arab, the only outlet to the sea for the almost landlocked Iraq. It insisted that the 1975 accord is "null and void."

Observers here believe that their dispute on the issue of Shatt al-Arab, which has actually lasted for centuries, is a main obstacle in the way of their peace negotiations.

Therefore, the UN Secretary General is reportedly considering his compromise plan to ask both sides to push aside the stingy issue to the later stage of their negotiation and concentrate on implementing the first paragraph of UN Resolution 598 which calls for ceasefire and withdrawal of both forces to the internationally recognized boundaries.

Perez de Cuellar expected to make "significant progress" in his separate consultations with both delegations today. But since time is running out and the UN General Assembly session is approaching, he told reporters that he will have to appoint his "private representative" to take his place in chairing the Geneva peace talks.

The U.N. chief is scheduled to fly to Lisbon tomorrow and then to The Hague to attend the 40th anniversary of the founding of the International Court and to pay a visit to Sweden before returning to New York.

However, his official spokesman Francois Giuliani said that he could cancel his commitments provided mission requires.

Kuwait Ready To Play Active Role in Gulf
OW3108064488 Beijing XINHUA in English
0553 GMT 31 Aug 88

[By Gao Qiufu and Huang Jianming]

[Text] Kuwait, August 30 (XINHUA)—Kuwait will continue to play an active role for a durable peace in the Gulf region after the U.N.-sponsored ceasefire between Iran and Iraq, a senior Kuwaiti official stated here today.

In an exclusive interview with XINHUA, Kuwait's Foreign Undersecretary Sulayman M. Shahin said Kuwait, as a member of the United Nations and part and parcel of the Gulf region, finds itself obliged to play its role in finding an enduring peaceful solution to the Iran-Iraq conflict.

"We will continue our active role by making direct contacts with both Iraq and Iran, and with all those countries which can participate in establishing lasting peace in the region," he said.

Stressing the vital importance of the Gulf waterway, Shahin said that many powers had participated in keeping the waterway open and safe for navigation in spite of about 540 ships having been hit during last six or seven years.

He noted that Kuwait recognises the role of many international powers who helped Kuwait in sweeping the mines and establishing communications as well as facilitating a free navigation.

He expressed the hope that Iran and Iraq, while starting negotiations to settle their disputes, would also tackle in a serious way the question of navigation in the Gulf waterways.

On the relations between Kuwait and Iran, Shahin said that after the U.N.-sponsored ceasefire, Kuwait had sent an official to Tehran to prepare for reopening its embassy there.

"We are now preparing to send diplomats to Tehran once they get the visa," he added.

Following the Mecca incident during last year's Haj season, in which Saudi Arabia security forces clashed with demonstrating Iranians, more than 1,000 people were killed and wounded while the Kuwaiti Embassy in Tehran was stormed and burned. The embassy has been closed ever since.

"We will be friends and neighbours and it is the only way to deal with each other by cooperation based on mutual respect," Shahin said.

Kuwait always follows the peaceful way to solve the problems, he said, adding that the ball is now in the hands of Iranians.

Asked if Kuwait is ready to take part in the post-war reconstruction in Iraq and Iran, Shahin said that as a member of U.N., Kuwait is ready to do its best to help its friends, both Iraq and Iran, in accordance with what the U.N. would ask.

Actually, he disclosed, that Kuwait had already participated in it by paying its share of the financial cost for the U.N. observers group.

He confirmed that since 1982, Kuwait had contacted the Red Cross on means to facilitate the exchange of prisoners of the Gulf war. "We are prepared to play that role if we are asked to do so on humanitarian bases," he added.

Sub-Saharan Africa

Somali Fighting Leaves 6 Chinese Experts Dead
OW3108032888 Beijing XINHUA in English
0131 GMT 31 Aug 88

[By Wang Zhenhua]

[Text] Mogadishu, August 30 (XINHUA)—Six Chinese experts who have been missing since mid-August have been confirmed killed in fighting in northern Somalia between rebels and government troops.

A senior official in the Somali Ministry of Mining and Water Resources confirmed the death today of the men supervising a water supply project in northern Somalia, adding that three other Chinese experts are still missing:

A Somali reporter who just came back from the north told XINHUA yesterday that the remains of the six Chinese were found in the suburbs of the town of Hargesia.

Government troops are continuing their search for the three missing Chinese.

The Chinese experts, who lost contact with Chinese diplomats here when fighting broke out three months ago, were feared to have been killed in a fierce battle in mid-August.

The area where the water project is located was first seized by rebel troops, cutting the water supply to the town. Government forces later shelled and conducted air raids on the area.

Chinese sources in Mogadishu disclosed that there are now 70 Chinese experts working on several projects in Somalia.

The Somali Government has reportedly expressed its regrets over the death of the Chinese experts and called them "heroes who have devoted themselves to the progress of the Somalia."

NPC Vice Chairman Meets Chadian Delegation
OW2808110988 Beijing XINHUA in English
0738 GMT 28 Aug 88

[Text] Beijing, August 28 (XINHUA)—Zhou Gucheng, vice-chairman of the Standing Committee of the National People's Congress, met with a Chad women's delegation here this afternoon.

The delegation is led by Mrs Fatime Kimto, president of the women's organization of the Chad National Union for Independence and Revolution.

East Europe

Li Ximing Meets CSSR Party Group
OW2708130688 Beijing XINHUA in English
1113 GMT 27 Aug 88

[Text] Beijing, August 27 (XINHUA)—Li Ximing, member of the Political Bureau of the Central Committee of the Chinese Communist Party and secretary of the Beijing Municipal Party Committee, here today met and feted a vacationists' group from the Central Committee of the Czechoslovak Communist Party.

The group is headed by Miroslav Stepan, member of the Secretariat of the party Central Committee and first secretary of the Prague Municipal Party Committee.

Talks With Party Official

LD2708162988 Prague CTK in English 1328 GMT
27 Aug 88

[Text] Beijing Aug 27 (CTK correspondent)—Chinese Communist Party Politburo Member and First Secretary of the Beijing City Party Committee Li Ximing and member of the Czechoslovak Communist Party Central Committee Secretariat and leading secretary of the Prague City Party Committee Miroslav Stepan held talks here today.

They exchanged information about party work and the process of reforms in the two capitals.

The two officials emphasized the importance of the visit to China by Czechoslovak party leader Milos Jakes earlier this year and the impulses it provided for establishing cooperation. They called for new forms of contacts between the two capitals and for a systematic exchange of experiences.

Pyongyang Youth Festival Attendance Noted

AU2908124488 Prague MLADA FRONTA in Czech
27 Aug 88 pp 1, 5

[Interview with Song Defu, member of the Chinese Communist Party Central Committee and first secretary of the Communist Youth League Central Committee, by MLADA FRONTA staff journalist I. Stepankova: "We Have Many Things in Common"; in Prague prior to Song Defu's departure on 26 August]

[Excerpt] [Passage omitted] [Stepankova] Are you [the Communist Youth League] also preparing for the 13th World Youth Festival in the DPRK?

[Song Defu] We are very glad that the festival will be held in the DPRK. We have not only expressed support for the Union of the Socialist Working Youth of Korea, but also for the 13th Festival's international preparatory committee. Contacts between the Communist Youth League, the World Federation of Democratic Youth, and the International Students Union did not exist for more than 20 years, but now we are counting on attending the

festival in Pyongyang. We are still discussing details of our participation. Our organization asserts the principles of peaceful coexistence, independence, and mutual respect on the foundation of equality. On the foundation of these principles we are developing friendship with youth organizations throughout the world. We have various contacts with more than 1,000 organizations in 140 countries.

Rui Xingwen Fetes Romanian Party Workers

OW2908163388 Beijing XINHUA in English
1007 GMT 29 Aug 88

[Text] Beijing, August 29 (XINHUA)—Rui Xingwen, member of the Secretariat of the Central Committee of the Chinese Communist Party, met and feted here today a party workers vacationist group from the Romanian Communist Party (RCP) headed by Costel Eremia, member of the RCP Party Central Committee and secretary of the Braila County Party Committee.

Security Minister Meets Romanian Delegation

OW3008132588 Beijing XINHUA in English
1047 GMT 30 Aug 88

[Text] Beijing, August 30 (XINHUA)—Wang Fang, state councillor and minister of public security, met here today with a delegation of the Romanian Internal Ministry headed by Mihalea Velicu, deputy director of militia of the ministry.

The 18 Romanian visitors arrived here yesterday as guests of the Chinese Ministry of Public Security.

Wu Xueqian Meets Bulgarian Tourism Official

OW3108151688 Beijing XINHUA in English
1334 GMT 31 Aug 88

[Text] Beijing, August 31 (XINHUA)—Chinese Vice-Premier Wu Xueqian met with Lachez Avramov, chairman of the Bulgarian Association of Tourism and Recreation, and his party here today.

Liu Yi, director of the National Tourism Administration, was present at the meeting.

Ding Guangen Said Given Planning Commission Post
HK0109050488 Hong Kong WEN WEI PO in Chinese
31 Aug 88 p 2

[Report: "It Is Said That Ding Guangen Has Been Appointed Executive Vice Minister of the State Planning Commission"]

[Text] Today, Ding Guangen, former minister of railways, attended the State Council work meeting presided over by Li Peng. It is learned that Ding Guangen has been appointed executive vice minister of the State Planning Commission. As the No 1 assistant to Yao Yilin, Ding Guangen has the right to take charge of the overall work of the State Planning Commission. The appointment of Ding Guangen as executive vice minister of the State Planning Commission has not yet been officially announced. Ding Guangen's appointment is a great surprise to the relevant circles in Beijing.

Ding Guangen resigned as minister of railways at the beginning of this year because of the rising number of railroad accidents.

Seventh NPC Standing Committee Meeting Continues

Draft Secrets Law Submitted
OW3108122688 Beijing XINHUA in English
1147 GMT 31 Aug 88

[Text] Beijing, August 31 (XINHUA)—A Draft Secrets Law was submitted to the Third Meeting of the Standing Committee of the Seventh National People's Congress (NPC) today for group examination and deliberation.

"The enactment of a Secrets Law is necessary and timely for the promotion and guarantee of China's reform, openness and modernization," members of the NPC Standing Committee said.

NPC Standing Committee member Chu Zhuang said, "The Secrets Law should take two factors into consideration. First, it should protect state secrets. Second, the classification of secrets should not be too general. Otherwise, it could hinder democracy and openness."

Hu Jiwei, another NPC Standing Committee member, pointed out that keeping state secrets and keeping state affairs open to the public are closely related. For a long time in the past overemphasis on secrets, and definitions of secrets that were too general and catch-all hindered efforts to make state affairs open and China's construction of democracy.

"The draft law, which stipulates that state secrets should be given a specific time limit, will greatly help to rectify this situation," Hu remarked.

He suggested that the National People's Congress establish a law regarding openness, which will specify the scope and limits of openness.

"Anyone trying to turn the clock back will be punished accordingly," Hu said. He gave the example that if someone uses the excuse of protecting secrets to censor press reports, the press can sue that person in court, according to the draft.

Report on Cultural Relics Presented
OW3108084588 Beijing XINHUA Domestic Service
in Chinese 1234 GMT 30 Aug 88

[Text] Beijing, 30 Aug (XINHUA)—Vice Minister of Culture Wang Jifu today reported to the third meeting of the Seventh NPC Standing Committee on the implementation of the Law of the People's Republic of China for the Protection of Cultural Relics.

Wang Jifu said: Since its promulgation in 1982, implementation of the Law for the Protection of Cultural Relics has effectively promoted the development of cultural undertakings and played an important role in managing and protecting cultural relics according to law. In the past few years, the Ministry of Culture has worked out and published some documents of a legal nature according to the basic principles of the relevant articles of the law for the protection of cultural relics in order to effectively implement this law and resolve contradictions and problems encountered in the course of its implementation. At the same time, local people's governments at various levels have also requested their local people's congresses to promulgate some regulations on the protection of cultural relics. Some provinces and cities have formulated a series of laws and regulations on the protection and management of cultural relics.

Wang Jifu said: Criminal activities in smuggling cultural relics, robbing tombs, and stealing cultural relics from museums were extremely rampant in various localities last year. As a result, many precious cultural relics were smuggled out of the country. In view of the situation, the State Council issued a public notice calling for cracking down on tomb robbers and cultural relic smugglers, effectively checking such criminal activities. A circular on strengthening the work related to cultural relics defined the principles and tasks of this work in the new situation brought about by carrying out reform and opening to the outside world. The Supreme People's Procuratorate and the Supreme People's Court jointly made explanations on questions about the specific application of law to cases of stealing, excavating and robbing, illegally dealing in, or smuggling cultural relics, clearly defining the criteria for determining the nature of criminal cases involving cultural relics and punishments for those involved.

He said: The State Council has published the second and third lists of major cultural relics to be protected through the promulgation of the law for the protection of cultural

relics. Famous national historical and cultural cities in the country are listed on the first and second lists. Local governments have also announced a number of provincial- and county-level units of cultural relics to be protected. Now the country has more than 500 major units of cultural relics to be protected, in addition to 62 famous national historical and cultural cities. There are more than 3,400 major provincial-level units of cultural relics to be protected in the country. The Great Wall, the Imperial Palace, the Dunhuang Caves, the Qin Shi Huang Mausoleum, and the remains of Peking Man are even included by UNESCO on the world heritage list.

He said: General surveys of cultural relics have been conducted throughout the country since 1980. Such surveys have enabled us to get a better understanding of the legal and illegal distribution of cultural relics in the country and to lay a preliminary foundation for the scientific management of cultural relics according to law.

Wang Jifu said: Now one of the outstanding problems is that some people lack a clear understanding of the law for the protection of cultural relics and the significance of the work in this regard. Leaders in some localities and units have yet to give due priority to the protection of cultural relics. With a vague idea of the legal system, leaders in some localities and units even substitute their own words and power for the law. Large-scale robbing of ancient tombs took place in some localities, and leaders of some basic units even said: "It is better to excavate cultural relics and sell them for some money than to let them remain underground." They even regarded such a practice as a way to "invigorate the economy and get rich."

He said: The second problem is that the contradiction between the protection of cultural relics on one hand and capital construction and the building of water conservancy projects on the other is rather conspicuous. Since the institution of the contract responsibility system in production, cases of damaging or destroying ancient ruins and tombs by some rural enterprises and individuals have occurred one after another. Construction of some productive and living facilities has also seriously affected the landscape and surroundings of historical sites. Industrial waste gas, polluted water, harmful dust, and acid rain have aggravated the damage done to cultural relics by natural forces.

Wang Jifu said: The third problem is that some museums of cultural relics have not yet conscientiously implemented the law for the protection of cultural relics and have failed to effectively protect and manage cultural relics. By so doing, they have given thieves an opportunity to steal cultural relics. Cases of stealing cultural relics from museums have increased year after year, and more and more precious cultural relics have been stolen. The number of such cases was particularly large in 1987, and the number of cultural relics stolen was doubled.

He said: The fourth problem is that the organizations for the management of cultural relics are not sound, nor are their management systems. Their administrative and operating expenses are inadequate, and the facilities are simple, crude, and backward.

Wang Jifu pointed out: In the new situation brought about by carrying out reform and opening to the outside world and in view of the weak links in the management of cultural relics, the Ministry of Culture is planning to strengthen the work in the following aspects: to vigorously formulate laws and regulations on the protection of cultural relics, to strengthen the groundwork for the protection of cultural relics, to let reform play a dominant role in straightening out the system of cultural relics management, to crack down persistently and extensively on all criminal activities involving cultural relics, and to effectively protect cultural relics in close coordination with the departments concerned.

He said: It is the duty of the whole nation to strengthen the protection of our historical and cultural heritage. By properly handling the relationship between the protection of cultural relics, religious activities, and tourism, we can bring out the best of each of them.

Wang Jifu said: Cultural relics and historical sites, which can be found in various parts of the country, are places attracting foreign and domestic tourists. They are important conditions for developing tourism in our country. On the basis of survey and study, the Ministry of Culture and the State Cultural Relics Administration Bureau are planning to select a number of more famous places of cultural relics with their own characteristics and to build them into world-acknowledged former sites of human civilization.

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Other Draft Laws Reviewed

*OW3108201088 Beijing XINHUA in English
1347 GMT 31 Aug 88*

[Text] Beijing, August 31 (XINHUA)—The Third Meeting of the Seventh National People's Congress (NPC) Standing Committee today urged adoption of new draft regulations concerning Army officers on active duty.

Committee member Yang Lieyu said the new regulations will help modernize the Army along with measures approved earlier in the year to establish military ranks and confer medals of honor to retired Army officers.

The committee also urged adoption of a new standardization law.

Member He Ying said the law will help improve the quality of construction projects and increase efficiency and safety.

Standards were necessary because China is such a big country and development varies from one region to another, he said.

Member Zhao Xiu said that standardization should be applied to products in the foodstuff and pharmaceutical industries, too, since they concern the well-being of all the people.

Members also deliberated a draft law to protect wildlife.

Sixth National Women's Congress Opens in Beijing

Quality of Delegates Praised

*OW3108202888 Beijing XINHUA in English
1536 GMT 31 Aug 88*

["Women's Congress: Fewer Delegates But Quality Is Higher"—XINHUA headline]

[Text] Beijing, August 31 (XINHUA)—The number of delegates to the Sixth National Women's Congress [NWC] which gets under way here tomorrow is only half that of the previous congress but the quality is higher, an official said today.

A total of 1,069 delegates have been elected to the congress by 37 units throughout the country. In addition 114 women have been specially invited to attend.

Lin Liyun, chief of the Credentials Committee of the Sixth NWC delegates and chairman of the All-China Federation of Taiwan Compatriots, said that 58.5 percent of the delegates or 689 have college backgrounds, more than double the number in the last congress. They include 240 who have jobs in science and technology, culture and education, health, physical culture and law.

The delegates, who represent all 56 of China's nationalities, also include model workers, outstanding scientists and technicians and model teachers as well as a number of women entrepreneurs who have emerged in China's economic reforms.

The average age is 47.4.

Among the delegates, 514 are full-time cadres in charge of women's affairs, 62 are relatives of nationals living abroad, returned nationals from abroad and women from Hong Kong and Macao, and 11 are from Taiwan Province.

Nearly three-quarters of the delegates, or 848, belong to the Chinese Communist Party and 24 are Communist Youth League members. The rest belong to other parties or to none at all.

At the first presidium session today Kang Keqing, chairman of the All-China Women's Federation, Chen Muhua, vice chairman of the Standing Committee of the People's Congress, Zhang Guoying, vice chairman of the All-China Women's Federation, and 15 others were elected to the Standing Committee.

Deng Photographed With Delegates

OW0109034488 Beijing XINHUA Domestic Service
in Chinese 0138 GMT 1 Sep 88

[Text] Beijing, 1 Sep (XINHUA)—The Sixth National Women's Congress opened in the Great Hall of the People in Beijing this morning.

Leading comrades attending the opening ceremony were Zhao Ziyang, Yang Shangkun, Li Peng, Wan Li, Deng Yingchao, Qiao Shi, Hu Qili, Yao Yilin, Li Tieying, Bo Yibo, and Song Renqiong.

Yang Shangkun, member of the Political Bureau of the CPC Central Committee and president of the state, delivered a message of greeting at the opening ceremony.

On behalf of Kang Keqing, chairman of the National Women's Federation, Zhang Guoying, first secretary of its Secretariat, delivered a work report at the congress.

Prior to the opening of the congress, Comrade Deng Xiaoping and other leading comrades received all delegates and posed for pictures with them.

Top Leaders Attend Opening

OW0109071988 Beijing XINHUA in English
0701 GMT 1 Sep 88

[Text] Beijing, September 1 (XINHUA)—The Sixth National Women's Congress opened here today with the attendance of 1183 representatives from across the country.

A score of top leaders, including Zhao Ziyang, Yang Shangkun, Li Peng, Wan Li and Deng Yingchao, attended the opening ceremony held in the Great Hall of the People.

Deng Xiaoping was among the top leaders who posed for photographs with all the representatives to the Congress before the ceremony.

The opening was presided over by Chen Muhua, vice-chairman of the Standing Committee of the National People's Congress. She called the opening of the Women's Congress "a major event for Chinese women".

President Yang Shangkun delivered a congratulatory speech on behalf of the Chinese Communist Party Central Committee. The Chinese women are a great force in the country's construction and reform. They have contributed a great deal during wartime and the current modernization drive, and are worthy of being called 'people who hold up half the sky', he said.

The president encouraged women to seize the opportunity the reform has brought them and accept the challenge to better their qualifications and education.

He also called on the whole of society to better safeguard the legitimate rights of women and children.

The six-day congress will be devoted to discussions on the characteristics of the women's movement in the new period, making new strategic policies, and approving and revising the Constitution of the Women's Federation. The Sixth Executive Committee and the new chairman of the All-China Women's Federation will be elected during the Congress.

Yang Shangkun Addresses Congress

OW0109124288 Beijing XINHUA in English
1158 GMT 1 Sep 88

[Text] Beijing, September 1 (XINHUA)—President Yang Shangkun paid a warm tribute to Chinese women today, calling them a great force for the country's construction and reform. They have contributed a great deal during wartime and during the current modernization drive, and are worthy of being recognized as holding up "half the sky", he said.

At today's opening ceremony of the Sixth National Women's Congress, Yang gave his best regards to the female representatives of the different nationalities in China from all walks of life.

He said that he saw the important roles women have been playing in promoting the reform, open policy and commodity economy. Women also play their parts in education, public health, science, culture, family planning and promoting a new way of life.

China is deepening its current comprehensive reform of the price and wage systems to bring about great changes in China's economy and social life. It is a chance for the Chinese women to further liberate themselves, he said.

According to Yang, further reform will bring women more opportunities in education and employment, thus further liberating women and the productive forces.

The president called on women to further emancipate their minds, improve their competence, give greater play to the fine tradition of hard work and adopt a down-to-earth attitude and enterprising spirit. The reform also means a new challenge to every Chinese citizen, he explained.

He stressed that the government and the whole of society should show more concern for women and better safeguard their interests, and condemn sex discrimination and maltreatment of women. The Constitution stipulates that marriages, families, mothers and children are protected by the state.

"It is a common task of the whole society to safeguard the interests of women and children. As a socialist country, we should do better in this respect," he stressed.

He hoped the Chinese Communist Party committees at every level would carry out research into the women's movement at the preliminary stage of socialism. Women's work needs to be improved and strengthened, he said. More freedom should be given to women's organizations and greater efforts should be made to train devoted professionals for work among women, he said.

Central Bank Governor Pledges To Curb Inflation
OW0109072688 Beijing XINHUA in English
0621 GMT 1 Sep 88

["Central Bank Governor Pledges To Curb Inflation"—XINHUA headline]

[Text] Beijing, September 1 (XINHUA)—China's Central Bank Governor Li Guixian has pledged efforts to stabilize China's finances and curb inflation, the FINANCIAL TIMES reported today.

While meeting bank officials in Liaoning Province last week, Li, governor of the People's Bank of China, called for work to tighten control over credits, loans and cash circulation.

"We must strictly control the loaning scale and currency input," the paper quoted him as saying.

The State Council has approved a plan to increase China's 1988 bank loans from 156 billion yuan (about 40 billion U.S. dollars) to 180 billion yuan.

The issue of China's currency this year will double to 40 billion yuan, said Li Guixian, who is also a state councillor.

The increased loans will be used primarily for the purchase of farm and sideline products and commodities for export, production of goods in short supply, and construction of energy and transport facilities.

Most of increased cash will be used to ensure the payment for the purchase of farm and sideline products, Li said.

As one measure to combat inflation, Chinese banks will raise interest rates of both savings deposits and loans as of today.

"But the increased rates are still lower than the rise in the price index," he admitted.

"With the progress of price reform and the deepening of other reforms, we shall flexibly readjust interest rates, which will go up even higher next year," he said.

Li Guixian stressed the importance of curbing the purchasing power of institutional groups and tightening controls over non-banking financial institutions in a bid to halt inflation.

Vice Minister Speaks on Difficulties of Reform
HK0109075388 Hong Kong TA KUNG PAO
in Chinese 31 Aug 88 p 3

["Special dispatch" from Beijing: "Gao Shangquan Returns From Beidaihe, Speaks About Reform"]

[Text] Beijing, 30 Aug—Gao Shangquan, Vice Minister of State Commission for Restructuring Economic System, who had returned from Beidaihe, said: With China's reform entering such a stage today, there will be no future in either marking time or turning around, for the losses will be much greater than those caused by reform errors. Gao Shangquan made this remark at a meeting in Beijing the other day. He also said: We are now beset with difficulties: 1) the difficulties caused by the existence of the dual system; 2) the difficulties caused by the development of the reform from a superficial to a deep level; and 3) the difficulties caused by the shift from single-item reform to comprehensive supplementary reform.

The difficulties and contradictions in our economic life find expression in:

—The coexistence of price rises and the irrational pricing system;

—The coexistence of egalitarianism and unfairness in the distribution of income;

—The coexistence of a growing number of redundant personnel and the shortage of high-quality personnel in government departments and enterprises. In China's enterprises, there are 20-30 percent of on-the-job unemployed personnel but the number of temporary workers is increasing at an annual progressive rate of 9 percent. Although their income constantly rises, their labor productivity drops;

—The coexistence of material shortage and overstocking. The value of goods kept in stock throughout the country now stands at about 66 billion yuan. Our stock of steel products is 27 million tons but we still annually spend a huge sum of foreign exchange importing more than 10 million tons of quality steel products;

—The coexistence of insufficient capital and the overstocking of huge sums of money. Before the practice of separate budgetary plans for the central and local authorities there was still a call loans market in the country with an annual flow of 30 billion yuan. Following the practice of one being responsible for one's finance, it is no longer possible to move this money;

—The existence of excessive concentration and decentralization of power. Exclusive decentralization of power and concessions in profit-making have failed to genuinely delegate power to enterprises and, with excessive loss of power at the intermediate level, the enterprises are still not invigorated.

At the Beidaihe meeting, General Secretary Zhao Ziyang pointed out that it is necessary to take price reform as a central line. Gao Shangquan said by way of explanation that, since it is a "central line," it is not isolated and needs supporting measures, such as transforming enterprise mechanism, improving enterprise returns, controlling the scope of capital construction projects and the trend of institutional buying, and reforming the political structure. The objective of carrying out the price reform is to develop a new price mechanism and stimulate the market growth.

To solve the above-mentioned difficulties, in our latest policy decisions we have set down the following demands: Restrict the growth rate, reduce the scope, keep down consumption, tighten up credits, observe discipline, and cherish the general interest. Ideas should be more lively and policies should be resolutely implemented.

State Council Orders Safety Measures for Mines
OW3108075088 Beijing XINHUA in English
0631 GMT 31 Aug 88

[Text] Beijing, August 31 (XINHUA)—The State Council has urged local authorities to draw relevant lessons from a gas explosion that killed 45 miners in a rural coal mine in Guizhou Province on May 6.

The accident, which occurred in a mine jointly run by the government of Houchang Town in Weining County and a farmer in the suburbs of Liupanshui City, also injured four others.

In a notice circulated nationwide, the general office of the State Council described the accident as the most serious one in rural coal mines nationwide in recent years.

The notice blamed the accident primarily on the mine's "extremely chaotic management".

The accident was caused by a large accumulation of gas due to inadequate ventilation. The explosion happened as an electrician was fixing an electric wire and produced a spark.

The notice ordered the Guizhou provincial government to set up a group to investigate the cause of the accident and to punish leading officials held responsible.

According to the notice, Guizhou's rural coal mines account for only five percent of the output of China's rural coal mines. But the number of deaths is 18 percent of the total of China's rural coal mines.

The notice criticized local authorities for their neglect of safety in operation and their failure to implement China's "mineral resource law" and the State Council's instructions on streamlining rural coal mines.

The notice banned the operation of unlicensed coal mines and urged industrial coal departments at all levels to tighten safety control over rural coal mines.

Statism Criticized as Cause of Defects in System
HK3108084888 Shanghai SHIJIE JINGJI DAOBAO
in Chinese 15 Aug 88 p 15

[Article by Zhang Shuyi (1728 2885 5030): "Statism—the Root Cause of All Defects of the Old System"]

[Text] What is the crux of the defects in China's old system? It is not the planned economy, nor a high degree of centralization. The root cause of all the defects lies in our theory of state.

Statism and Socialism [subhead]

Since the founding of the People's Republic, under the theoretical guidance of statism which held that "the state is the organizer and manager of all social life," we have always held that the state must and also can organize and manage the social life in an all-around way, and the people need only to "closely follow" and "strictly implement" the state plans and instructions, then the country will soon enter communism. So our economic and political systems and even our ideology and culture were then completely imprinted with the seal of statism. The economy had to develop within the "framework" of the plans formulated by the state; social organizations had to all be included in the state administrative structure; and people had to think according to the "principles" laid down by the state. Our socialism thus became state socialism. The state overrode the entire society. The economic structure that lacked vigor and the political structure that was excessively rigid and ossified all derived from the prevailing notion of statism.

We can find the root of statism in China's history. The small peasant economy is the soil for engendering statism. China's feudal society was under the autocratic rule of the centralist state power for several thousand years. The state was the people's "patron saint" for resisting foreign aggression and living and working in peace and contentment. After the gate of the "Orient Kingdom of Heaven" was blasted open by the heavy guns of the Western commodity economy, the urgent sense of national salvation further strengthened the Chinese people's mentality of building a strong state power. After the establishment of the political power of the proletariat, the backward conditions of the Chinese nation in modern history were not eliminated in a short time. Thus, the foothold for us to formulate our principles and policies was to rely on the strong force of the state power to promote economic development and to catch up with the developed nations in the world. In order to change the backward economic conditions as quickly as possible, we pursued a product economy, which ended up with ossification and obstructed the development of the productive forces. We built a highly centralized political structure in order to most effectively mobilize all social strength to sweep away poverty and backwardness as rapidly as possible and to stand on our own feet with other nations in the world, but this political structure constrained the development of democratic politics.

The State Must Not and Cannot Transcend Society [subhead]

State socialism gives no consideration to society. However, society is the origin and the base. State, religion, and law all emerge, exist, and develop in the "maternal body" of "society." Society, as a maternal body, is an organic body, and every social organization plays a special role, and all social organizations form the complicated and organic society. Society is also a self-organization system that has the capacity of self-regulation. The appearance of social organizations and the development of society itself all follow some internal laws. The fundamental error of statism is its reversing the relationship between society and the state. According to the viewpoint that society is the origin, the state is limited and cannot be separated from society or transcend society.

It was a long historical process for mankind to understand the state as a social phenomenon. In pre-capitalist societies, the state was always a kind of privilege, and could rule society in any way it liked. The authority of emperors and kings in the Middle Ages and the authority of autocratic kings in the early period of modern history were all paramount. The exorbitant taxes and excessive levies imposed by the Roman Empire on its subjects, the darkness in the Middle Ages, the arbitrary extortion, persecution of writers whose works were considered offensive by the imperial court, and imprisonment of people who held heretical thoughts all constituted the horrific picture of state autocracy. The concept of the state was not changed until the bourgeois revolution in

modern history. Rousseau's theory of "people's sovereignty" and Montesquieu's theory of "separating the three powers" represented the new stage of mankind's knowledge about the state. People then began to observe and approach the state from the angle of society and the people. The political systems built afterward, including the democratic political structure, the mechanisms for power checks and balances, and politics based on rule by law, all were designed to overcome the alienated force of the state, and they resulted in the return of the state from an alienated condition in the history of political development. In order to overcome the alienated force of the state, there should be many systems. Democratic politics, mechanisms for power checks and balances, and the state based on rule by law all represent the major contributions of the bourgeois revolution to the political system in human society. Through these intermediate links, the interests of other social organizations and members of society are guaranteed, and their enthusiasm, initiative, and creativity are emancipated. As a result, "the bourgeoisie, during its rule of scarcely 100 years, has created more massive and more colossal productive forces than have all preceding generations together." In fact, they built a political system in which the state was born and conditioned by society. On the relationship between the state and society, an issue that inevitably exists in the history of human political development, the theories and systems that were created in Western societies in their historical development should be studied and taken as reference.

The Future of China's Reform Lies in the Establishment of Democratic Socialism [subhead]

The winds of China's reform are sweeping away the fogs shrouding its old structures and systems, whose defects have been more and more obviously exposed. The socialist commodity economy is gradually produced from the "maternal body of state socialism" through labor pains, and the process of political democratization is also advancing the historical subject of the relationship between the state and society to the theoretical and practical forefront of the reforms. Since the reforms began, we have proposed and adopted a series of measures for streamlining the government, devolving authority, separating the government from enterprises, reducing the unnecessary intervention of the government, reorganizing government institutions, and changing their functions. These were all steps to free our country from the shackles of statism. If the existence of the conception of statism in old China and in the early years of New China was necessary, then when New China enters today's development stage, which requires steady social, economic, and political development, the existence of statism is no longer reasonable.

History has proved that the attempt to use the state that is high above society to arrange the social life in an all-around way and to develop and control the needs and interests of hundreds of millions of people according to the framework defined by certain "plans" will just be

futile, and this will just lead to a close, ossified, shrunk, and stagnant condition. State management and state planning should come from society and serve the needs in society, and should be able to give play to the initiative of the hundreds of millions of people. We should understand that social progress and national prosperity must rely on the vigor of social organizations and individuals as well as state organization and management. Comparatively, we should place more stress on the vigor of social organizations and individuals, because this is the foundation for the state to perform its functions and is also the starting point and purpose of the state functions. The purpose and role of the state is to mobilize the initiative of the hundreds of millions of people and to bring the self-organization and self-adjustment ability to various social organizations and individuals. The state must not improperly and excessively intervene in or even replace them. When arranging various affairs, the state should make use of the spontaneous forces in society as much as possible, and prevent the use of external coercive forces. Otherwise, the functions of the social organizations will not be able to grow normally, and even some sound organizations may find their functions declining. Such consequences have now been fully reflected and have become some knotty problems in our reforms. For example, enterprises were taken as affiliated organs to the state and were subject to the direct management of the state for a long time. As a result, our enterprises lacked the ability to independently cope with market forces. Once the power was delegated to the enterprises, such short-term actions as "investment hunger" and "excessive issuance of bonuses" widely appeared, thus giving rise to a new contradiction in the reforms: To enliven the enterprises, we must delegate more powers to them; but in view of the current conditions of the enterprises, it is hard to delegate the powers to them. As another example, the longstanding centralist political structure resulted in the lack of many intermediary organizations in our society that can take over the functions handed over by the state, and this also became another contradiction in our reforms: The changes in the state functions need many intermediary organizations, but the longstanding highly centralist structure failed to create such a social foundation, and it takes time to wait for the natural growth of the intermediary organizations.

Under the domination of statism, the social life in various aspects is not self-organized, but is organized by the force of the state power. Social activities also lack the capacity of self-adjustment and must also be adjusted by the state. Under such a social structure, it is hard for the economic structural reform alone to be effective. The law governing historical development is that the economic base determines the superstructure, but things in reality were quite different. Therefore, the reforms must go deeply to the political structure. The purpose of the political structural reform is to build democratic socialism, which includes three connotations:

First, democratic socialism is socialism in a social form of democracy. The social form under a high degree of

centralism is a social form of affiliation. Under this social structure, the party and the government are lumped together. The government and the enterprises and institutions are lumped together; and the government and the mass organizations are also lumped together. All social organizations are affiliated with the administrative and political structure as a pyramid. Democratic socialism will mainly rely on the vigor of all social organizations and will free them from the condition of being affiliated with the state power at various levels. All kinds of social organizations will play a certain special role in society, act as independent entities, and constitute a foundation for a society full of vigor.

Second, democratic socialism will build a democratic structure for state power. It requires that the people's congress be a real power organ that represents the will of the people. For this purpose, it is necessary to perfect the system for electing, dismissing, and changing people's deputies so that people who can really represent the people and have the ability to participate in the handling of state affairs will be able to enter the representative organs. The state administrative organ can only be produced by the power organ, and can only function as the executive organ of the power organ. The power organ deliberates and discusses the administrative affairs, and the administrative organ handles these affairs; the power organ enacts laws and the administrative organ enforces the laws. All activities of the administrative organ should be responsible to the power organ and should be subject to the supervision of the power organ. If the administrative organ is not answerable to the power organ, this is absolutely not the phenomenon in democratic politics; and if the administrative organ is not checked and balanced by the power organ, this is not a situation in socialism.

Third, democratic socialism should find expression in the form of the people's participation in government so as to ensure their interests. Democratic politics do not find expression in the people's direct exercise of power; instead, the people's will should be really reflected and represented. Under the condition of indirect democracy, democratic socialism must attach importance to the expression of interests and must make a democratic social form closely combined with a democratic power structure. Under the traditional system of centralism, the expression of interests was only the opportunities bestowed by the authorities to listen to the wishes of the people, and was not the necessary foundation for making policies. In a certain sense, democracy was merely a kind of compromise or the balance of various interests after conflicts and struggles. In order to enable all social strata and social organizations to fully express their interests and demands, it is necessary to make public government affairs and the administrative procedures and to perfect the form of the people's participation in government. The people should have the right to be informed of the activities of the state organs so as to put forth their opinions and proposals. The people should have the

right to participate in the discussions on major economic, social, and legal issues so that they can respect their interests and reflect their will. Only thus can the will of the state be based on more extensive social foundation.

The above-mentioned contents of democratic socialism will form a structure in which the state is based on society and represents society, and society is still able to control the state. This is the essence of modern democratic politics. Democratic socialism in our country should establish such a structure.

Commentator on Influence of Class Origin Theory
HK0109092588 Beijing NONGMIN RIBAO in Chinese
25 Aug 88 p 1

[Commentator's article: "The Influence Remaining From the 'Theory of the Unique Importance of Class Origin' Must Be Eliminated"]

[Text] It is absolutely necessary for construction enterprises to stress the importance of quality, including the quality of their construction teams, because they engage in projects that "are to last for generations." The state has differentiated their grades according to the quality of their projects and their ability to design and carry out construction. It contracts out projects to these enterprises according to these grades. The purpose is to ensure the quality of these projects.

But some localities have differentiated the grades of construction enterprises according to different ownership systems and administrative grades, instead of adhering to the productive forces criterion. In these localities there is a clear demarcation between provincial-run, city-run, and county-run construction enterprises; and there is an even stricter distinction between state, collective, and individual construction enterprises. Differentiating grades in this way restricts not only the qualifications for contract but also the arrangements for collecting charges, the result being that the higher the grade an enterprise is the more benefit it will gain. As for the quality of projects, this is another story. When township and town enterprises want to undertake big projects, they must apply to state enterprises for the projects, and through just one "recontract," state enterprises can gain an extra profit.

When the "theory of the unique importance of class origin" was in vogue, everything was judged according to the label of classes (as a matter of fact it was the label of production relations). Now people cannot help laughing when recalling this. Unfortunately, the influence of the "theory of the unique importance of class origin" can still be found in the "red letterhead documents" of some localities and departments after 10 years of reform. This is something strange. The central authorities issued a circular long ago that states that documents that do not correspond to the spirit of reform and opening up to the world should be discarded. So the above documents

should also be discarded. If the productive forces criterion is not applied in the course of developing the socialist commodity economy, the initiative of people in various fields cannot be brought into play, nor can equal competition be carried out.

Some people asserted that the quality of projects of township and town enterprises is inferior to that of state enterprises. This remark does not necessarily conform to facts. Some of the projects completed by state enterprises are good and some are bad, as are those completed by township and town enterprises. It is possible that good projects completed by state enterprises account for a larger percentage, but on no account should we say that all the projects completed by township and town enterprises are inferior to those completed by state enterprises. As a matter of fact, many famous large-scale projects were completed by township and town enterprises after being recontracted to them by state construction companies. No wonder some people in township and town enterprises said: Let us lead it out to see whether it is a mule or a horse. Let the quality of projects speak, do not judge by grades or names.

Some people said: State enterprises have a heavier burden to shoulder than township and town enterprises. The former are responsible for the welfare of their employees, so they charge more, otherwise they cannot afford their expenditures. As a matter of fact, in comparison with township and town enterprises, state enterprises have better machinery, equipment, and technological personnel and enjoy a better supply of raw materials. They should have higher productivity and reduce their production costs. But the real situation is the opposite. So this must be attributed to the practice of "everybody eating from the same big pot" and the waste of materials in state enterprises. If this is not reformed, the burden on state enterprises will become heavier as time goes by. Are they going to raise their production costs limitlessly to resolve this problem? Is it possible to maintain this irrational situation by irrational means?

School Dropout Problem Serious in Many Areas
OW3108191388 Beijing XINHUA in English
1553 GMT 31 Aug 88

[Text] Beijing, August 31 (XINHUA)—Dropping out of school has become a serious problem in many parts of China, a senior education official said today.

Liu Bin, vice minister of the State Education Commission, said students dropping out are common in the relatively poor northwestern areas of the country but they are doing it even in economically developed coastal areas such as Zhejiang, Fujian and Guangdong Provinces as well as big cities.

Liu, speaking at a meeting of principals of Beijing middle schools, noted 13 percent of the students in Cixi County, Zhejiang Province, dropped out last year. The county has a flourishing handicraft industry and it was to this that most dropouts gravitated to find jobs.

Liu said the dropout rate is highest among second and third year junior middle school students. Some of the dropouts find temporary jobs. Some follow their parents into business or sideline production. Some get into trouble and are led astray.

Liu cited four major reasons for leaving school.

One reason is the prevailing phenomenon that brain work earns less than physical work, a situation that has convinced many uneducated parents that studying is useless and therefore their children should quit school and earn money.

Another reason, he said, is some businesses have hired children as cheap labour, a practice that is condemned by the State Education Committee.

A third reason is the cost of tuition, books and other school expenses which become too big a burden for rural parents.

Liu said the State Education Commission has asked local governments to set reasonable fees and offer tuition waivers for those students with financial difficulties.

A fourth reason is many schools concentrate on preparing students for college and ignore those who can't keep up. The backward students often lose self-esteem, start to cut classes and eventually drop out.

The State Education Commission stresses schools should pay attention to the needs of all students, not just to a select few.

Liu said a special group has been formed by the State Education Commission and the NPC Education, Science, Culture and Public Health Committee to go to Heilongjiang, Gansu and Zhejiang Provinces to look into the dropout problem.

Li Peng Praises Jilin's Flood-Control Efforts

OW3108121988 Beijing Domestic Service
in Mandarin 0930 GMT 29 Aug 88

[Text] Li Peng, premier of the State Council, asked the General Office of the State Flood Prevention Headquarters to telephone Jilin Provincial Governor He Zhukang, Vice Governor Hui Liangyu, and Commander of the Provincial Military District Chen Xingyin today to convey his regards to the 120,000 soldiers and people working in the forefront of combat against floods.

Premier Li Peng said: Following successive torrential rains and floods in the upper reaches of the Nen Jiang and its tributary Taoer He since mid-July, relatively big flood crests appeared one after another in the mainstream of the Nen Jiang, causing high water levels in the Nen Jiang and the Yueliangpao Dam for a long period of time. In addition, the area was hit by several violent

windstorms. The tasks of combating flooding and dealing with emergencies were very difficult and heavy. You led more than 100,000 soldiers and people to carry forward the work style of bravery in combat and sustained efforts in fighting successive battles, overcame various obstacles, braved the winds and rains to work on the 250 kilometers-long dike day and night, and achieved major success. I'd like to express my sincere regards and warm congratulations to you as well as all the comrades fighting in the forefront of flood combat.

Li Peng pointed out: Though the flood crest has passed (Xiadaiji) by now, a dangerous emergency is likely to occur when the water level drops because the dike has been inundated by floodwaters for a long period of time. I hope you will make persistent efforts to win a complete victory.

According to information provided by the State Flood Prevention Headquarters, the flood of the Nen Jiang flowed into the mainstream of the Songhua Jiang on the evening of 27 August. Today the flood crest has passed (Xiadaiji) and is approaching Harbin City.

Qiao Shi in Shandong, Urges Party Strengthening OW0109023588 Beijing XINHUA Domestic Service in Chinese 1658 GMT 31 Aug 88

[By reporter Guo Xiusheng]

[Text] Jinan, 31 Aug (XINHUA)—During a recent inspection tour of Shandong, Qiao Shi, member of the Political Bureau of the CPC Central Committee and secretary of the Central Discipline Inspection Commission, emphatically pointed out that as the reform enters a critical period, it is all the more necessary to strengthen party leadership, intensify party building, and build closer relations between the party and the masses so as to enable the party to function more effectively and party organizations and members to withstand new trials and tribulations in the course of deepening the reform.

From 25 through 31 August, Qiao Shi successively inspected Jinan, Zibo, Weifang, Weihai, and Yantai Cities in Shandong Province, heard briefings from the leading comrades of the Shandong Provincial CPC Committee and the provincial government, attended discussions with provincial, city, and county officials, and visited factories, enterprises, and villages. Qiao Shi said: The tentative plan for pricing and reforms, recently approved in principle by the Political Bureau of the CPC Central Committee, is the key to deepening the entire economic structural reform. It is a very difficult reform, but must be carried out successfully. He said: We are now in a relatively favorable period. The good economy and improvement of the people's livelihood over the past 10 years have provided the favorable conditions for accelerating and strengthening the reform. What we must do now is solve a number of extremely difficult problems, which require thorough awareness and painstaking preparations on our part. He said: In carrying out

price and wage reforms, it is necessary to, primarily, rely on party leadership, which is one of our greatest advantages. Leading cadres at all levels and party members should maintain a high level of unity with the Central Committee in ideology and action and bring into full play the leadership role of party organizations, so as to produce strong party cohesion, uniting the masses in accelerating and strengthening the reform, and tiding over the difficulty with one heart and one mind. All party organizations and members must strive to withstand new trials and tribulations in the course of deepening the reform.

Qiao Shi said: In the critical period of the economic structural reform, all party leading cadres and members should give top priority to intensifying party building and maintaining high standards of the party. He said: Under the new situation, we must continue to preserve and carry forward the party's good traditions and work styles, and develop them in the light of practical experience in deepening the reform. In the crucial period of deepening the reform, all party members, leading cadres in particular, must uphold the mass line and maintain close contacts with the masses by going down to the grassroots to conduct investigative studies to understand the situation and listen to opinions and suggestions from the masses through dialogue and consultations, thereby making the party's work more open to the masses. At the same time, it is necessary to summarize and publicize good experience and typical examples among the masses for continuous improvement of our work. He said: We must pay special attention to strengthening grassroots party organizations and political organs. The grass-roots work forms the foundation for the work in all areas. The party's principles and policies can be thoroughly implemented only when a good job is done in the grass-roots work.

During his inspection tour of Shandong, Qiao Shi urged all party organizations and members to resolutely implement past and future decisions on deepening the reform made by the party Central Committee and the State Council, enforcing orders and prohibitions with unified action. At the same time, it is necessary to do good ideological and political work so that the masses of people can understand and support the reform, thereby creating a sound social climate for the reform.

Tian Jiyun Urges Efforts in Flood Hit Guangxi
OW3108111188 Beijing XINHUA in English
0757 GMT 31 Aug 88

[Text] Beijing, August 31 (XINHUA)—Vice Premier Tian Jiyun urged local governments in the flood-hit Guangxi Zhuang Autonomous Region to make every effort to evacuate people safely from the flood-stricken areas.

Tian, also head of the Central Flood Control Headquarters, said this at the Headquarters' meeting here this morning.

It is learned that the floods along the Xijiang Valley are not expected to cause much damage to agriculture in the mountainous region, but will affect 1.2 million people in 12 cities or counties, and three railway lines. They will possibly bring about great losses to urban residents, industrial production and transport.

Tian called on all the departments to join efforts to bring the floods under control, support rescue work and reduce damage.

He asked meteorological departments to cooperate with water resources departments in providing timely and accurate weather and flood forecasts.

He said reservoirs in flooded areas must be safeguarded and special measures must be taken to protect the Liujiang bridge.

The vice premier also stressed that the governments must look after the needs of the people in the flooded areas.

Yan Mingfu Inspects Jinghai in Tianjin
SK3108083988 Tianjin TIANJIN RIBAO
in Chinese 21 Aug 88 p 1

[Text] Yesterday, accompanied by Zhang Dinghua, member of the Standing Committee of the municipal party committee, Yan Mingfu, member of the Secretariat of the CPC Central Committee, conducted investigation and study in Jinghai County and heard briefings given by the Jinghai County party committee and the county Women's Federation on displaying the role of women under the situation of developing the commodity economy.

Yan Mingfu pointed out: At present, reform has already entered a critical period. The entire party should fight a good battle in reform. Party organizations at various levels should display their role as a fighting bastion, give full play to the vanguard and exemplary role of the broad masses of party members and work in unity and advance along with the broad masses of people. Under the situation of separating party and government functions, we must also fully display the role of government departments. In addition, we should further improve the relations between party and government organs and the various mass organizations, strengthen leadership over mass organizations, rely on them, work with one heart and one mind, and exert joint efforts to overcome all difficulties in reform in an effort to unceasingly advance reform.

Yan Mingfu stressed: The broad masses of women are an important force during the critical period of reform. The party committees at various levels should pay attention to training woman cadres, create good conditions for them to participate in and to discuss political affairs, and train and cultivate a great number of woman cadres in a planned and step-by-step manner. We must persist in

using the criterion of productive forces to judge the work performance of a locality or a unit. In doing women's work, we must consider promoting the development of productive forces as the guidelines, focus our work on developing productive forces, and boost the socialist enthusiasm of the broad masses of women to fight for reform.

National CPPCC Official Inspects Tangshan
SK3108233988 Shijiazhuang Hebei Provincial Service in Mandarin 2200 GMT 22 Aug 88

[Text] Gu Mu, vice chairman of the National CPPCC Committee, recently made an inspection tour to Tangshan City, during which he pointed out that Tangshan City has an industrial foundation and better conditions for opening to the outside world and that it can do much in opening to the outside world. Therefore, it should use its head to do a good job in formulating plans to catch up with the fraternal cities in this work.

Comrade Gu Mu arrived in Tangshan City on 20 August. During his tour, he heard reports given by the leading personnel of the city party committee and the city People's Government with regard to rebuilding the city after the earthquake and carrying out further construction, and with regard to the situation in opening to the outside world and to the existing problems.

In his instruction, Comrade Gu Mu emphatically described the following three opinions in line with the task of opening to the outside world: 1. The state has approved Tangshan City and its five subordinate counties to open to the outside world, which will certainly play a great role in promoting the program of building a new Tangshan. However, the approval is only a first step in the program and the second step is how to really achieve the target of opening to the outside world. To this end, it is necessary for the city to truly and vigorously put in time and energy and to refrain from making a simple appraisal of things. It must use its head to formulate good plans. 2. Efforts should be made to bring into full play the strong point of local natural resources and to introduce outside funds to engage in precise and profound processing so as to turn out higher grade commodities for exports. 3. The city's heavy industry has a certain foundation and it has better conditions for opening to the outside world and can do much in this regard. Therefore, the city should use its head to bring its existing and long-term strong points of natural resources into full play.

In his instruction, Comrade Gu Mu pointed out: The existing enterprises jointly operated by both domestic and foreign units must be well guided to achieve development individually and problems that have cropped up among the enterprises should be dealt with one by one. By no means should we look down on small projects costing 1 million yuan or less. Comrade Gu Mu also stated: In opening it to the outside world, the city should be determined and confident in selling its commodities

on the international market, adopt methods to bring the capital construction scale and loan release under control on the one hand and to support the program of enlivening the enterprises that deserve to be enlivened, and refrain from conducting extremely rigid management over all enterprises and totally letting all of them alone.

CPC Adviser Dies; Zhao, Deng Send Wreaths
OW3108111988 Beijing XINHUA Domestic Service in Chinese 1442 GMT 30 Aug 88

[Excerpts] Beijing, 30 Aug (XINHUA)—Comrade Zhang Su, former member of the Advisory Commission of the CPC Central Committee and former deputy procurator general of the Supreme People's Procuratorate, died of illness in Beijing on 22 July at the age of 87. A ceremony to pay last respects to Comrade Zhang Su's remains lying in state took place at the hall of the Beijing Babaoshan Cemetery of Revolutionaries this afternoon.

Comrades Zhao Ziyang, Deng Xiaoping, Yang Shangkun, Li Peng, Chen Yun, Wan Li, Li Xiannian, Peng Zhen, Deng Yingchao, Nie Rongzhen, Qiao Shi, Hu Qili, Yao Yilin, Wang Zhen, Song Ping, Hu Yaobang, Bo Yibo, Song Renqiong, Wang Ping, Wang Shoudao, Wu Xiuquan, Liu Lantao, Jiang Hua, Li Yimang, Li Desheng, Yang Dezhi, Xiao Ke, Yu Qiuli, Song Shilun, Zhang Jingfu, Zhang Aiping, Lu Dingyi, Chen Pixian, Chen Xilian, Hu Qiaomu, Duan Junyi, Geng Biao, Ji Pengfei, Huang Hua, Huang Zhen, Kang Shien, Cheng Zihua, Xi Zhongxun, Ulanhu, Peng Chong, Banqen Erdini Qoigyi Gyancan, Ye Fei, Sun Qimeng, Lei Jieqiong, Wang Hanbin, Wang Fang, Ren Jianxin, Liu Fuzhi, Wang Renzhong, Fang Yi, Ku Mu, Kang Keking, and Sun Xiaocun sent wreaths; the Advisory Commission of the CPC Central Committee, the NPC Standing Committee, the CPPCC National Committee, the Supreme People's Court, the Supreme People's Procuratorate, the General Office of the CPC Central Committee, the General Office of the State Council, the Organization Department of the CPC Central Committee, the Ministry of Public Security, the Ministry of Judicial Affairs, the Ministry of Civil Affairs, the Hebei Provincial CPC Committee, and the Hebei Provincial People's Government also sent wreaths.

Present at the ceremony were comrades Wan Li, Hu Qili, Yao Yilin, Bo Yibo, Song Renqiong, Wang Ping, Liu Lantao, Jiang Hua, Li Desheng, Xiao Ke, Yu Qiuli, Chen Xilian, Duan Junyi, Huang Zhen, Kang Shien, Xi Zhongxun, Sun Qimeng, Wang Hanbin, Wang Fang, Liu Fuzhi, Wang Renzhong, Fang Yi, Gu Mu, Zhao Puchu, and Qu Wu. [passage omitted]

Also present at the ceremony were friends of the late Comrade Zhang Su and comrades of the Supreme People's Procuratorate, totalling more than 500 people.

Preferential Terms for Taiwan Investors

HK3008100588 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 34, 22 Aug 88 p 5-6

[Article by LIAOWANG reporter: "Learn From the Other's Strong Points To Offset One's Weaknesses, Be Mutually Beneficial—Official From the Ministry of Foreign Economic Relations and Trade Speaks About Taiwan Businessmen Making Investments on the Mainland"]

[Text] Foreign media have been concerned with the Stipulations of the State Council for the Encouragement of Taiwan Investment since promulgation in early July this year. Both local people and people overseas generally think that the Stipulations are beneficial to the economic prosperity and peaceful unification of the two sides of the Taiwan Straits. The significance of the Stipulations should not be underestimated. Some overseas people do not fully understand this document and have raised some questions about it. For this reason, our reporter interviewed Liu Yimin, Director of the Foreign Investment Administration of the Ministry of Foreign Economic Relations and Trade, and Chen Wenyu, Deputy Director responsible for trade affairs with Taiwan.

What Preferential Treatment Will Be Offered to Taiwan Compatriots Under the "Stipulations"? [subhead]

Other than the treatment of enterprises using foreign investment, said Director Liu Yimin, Taiwan businessmen can also enjoy the following benefits which are superior to those enjoyed by other foreign investors:

—The variety of business types and scope of regions for investment are larger;

—The form of investment is more flexible. Other than operating joint ventures, cooperative joint ventures and sole ownership enterprises, investments can take the form of buying shares and bonds issued on the mainland and buying land and property;

—Taiwan businessmen can become chairmen of the boards of joint ventures;

—Examination and approval procedures will be more simplified. At present foreign investors have to apply to several departments when doing business in most countries and cities, but Taiwan compatriots only have to apply to the Ministry of Foreign Economic Relations and Trade;

—Terms of business operations are not limited. The investor can decide on it himself;

—Generally foreign investors have to apply for an import permit if they want to import vehicles, machinery, office equipment, and so on. Taiwan compatriots do not need to apply for the permit. They may appoint relatives or friends on the Mainland to be their agents.

Director Liu Yimin said that Taiwan investment on the mainland is, legally speaking, a kind of local investment. However, due to their different economic systems, it is very difficult for enterprises using Taiwan investment to follow the practice of local enterprises on the mainland completely. At the same time, in order to make Taiwan compatriots gain approximately the same amount of economic benefits as in other countries or regions in Southeast Asia, the "Stipulations" of the State Council clearly indicate that Taiwan investors, when investing in enterprises on the mainland, may refer to the existing foreign economic laws and regulations and enjoy corresponding preferential treatment for enterprises using foreign investment. For example, if they invest in special economic zones and economic and technical development zones in coastal cities open to foreigners, the corporate income tax rate is only 15 percent, which is lower than in Hong Kong. They may also enjoy preferential treatment including exemption from income tax for 2 years and payment of half the regular income tax for 3 years. Other preferential treatment in expenditure, including corporate income tax, labor cost and expenditure on land use, will be offered if they invest in enterprises producing export or high-tech products.

How Should We Look Upon the Competition Brought by Enterprises Using Taiwan Investment [subhead]

Will local enterprises on the mainland be crushed by enterprises using Taiwan investment?

Liu Yimin said that if the direction of investment is under proper guidance and investment projects are chosen carefully, such enterprises will bring in Taiwanese capital, technology and management experience which can be combined with the mainland's richer resources and cheaper labor costs. The mainland can learn from the strong points of Taiwan to offset its weaknesses, and vice versa. In this way, enterprises using Taiwan investment cannot make use of the preferential policy to crush local enterprises on the mainland. The principal economic system of the mainland is public ownership. Therefore state-owned enterprises should have a better foundation and easier channels for selling their products than private enterprises, and will continue to develop under the coexistence of various economic factors. Of course, there may inevitably be a certain level of competition between enterprises using Taiwan investment and local enterprises on the mainland, due to the overlapping of products sold. However, such competition will undoubtedly enhance the mainland's progress in a positive way.

Some people are worried that the transfer of Taiwan's capital and technology to the mainland may result in competition between products produced by enterprises using Taiwan investment and Taiwan's products in the international market. Liu Yimin thought that this worry was due to the lack of a sense of competition. Even if Taiwan's capital and technology are not transferred to

the mainland, Taiwan's products will still face competition in the international market. At present, Taiwan's competitors in the international market come mainly from other countries and areas.

Those Taiwan businessmen who invest, establishing factories on the mainland, will find their products more competitive than similar products from Taiwan, due to the low cost of production. To prevent such competition, enterprises using Taiwan investment may develop new markets for their products with the strong points of both places. Taiwan investors can also exercise import substitution by investing in the production of the mainland's imported goods, such as certain industrial chemicals, steel products, construction materials and high tech products; or expand the sales proportion of these products in the mainland's market. To achieve this, Taiwan entrepreneurs should conduct extensive and thorough investigation into the investment environment and market, so that they may choose a suitable investment project and grasp the best investment opportunity.

Will Taiwan's Economy Rely on the Mainland as a Result of the Development of Economic Relations Between the Two Sides of the Taiwan Strait? [subhead]

Due to common economic interests, the economic relations between both sides of the Taiwan Strait have improved rapidly in recent years. The trade volume between the two sides was only over \$70 million in 1978. Last year it rose to \$1.58 billion, and is expected to exceed \$2 billion this year. Will the development of economic relations between the two sides of the Taiwan Strait lead to the reliance and dependence of Taiwan's economy on the mainland?

Director Liu Yimin pointed out that there should not be a problem of one side relying on the other, as they are going to develop mutually beneficial economic relations. It should be a mutual need, a cooperative relationship in which both sides are complementary. Taiwan compatriots can decide on the time period for investment and have freedom of entry and exit. If they find that they are relying on the economy of the mainland and feel a lack of security after investing here, they can remove their investment to other places at any time.

Deputy Director Chen Wenyu held the same view. She said that the development of economic and trade relations is only a matter of business. At present, Taiwan is beginning to import a limited amount of primary raw materials from the mainland. The materials were mainly imported from countries such as the United States and Australia. How can several million tons of coal control the economic lifelines of Taiwan? Try to think it over. Also, the mainland always thinks highly of contracts and keeps its words, hoping that both sides can develop enduring and steady economic relations through contracts and negotiations.

Why Is Requisition Exercised While Nationalization Is Not Applicable to Taiwan Investment? [subhead]

Liu Yimin stated that nationalization and requisition are two totally different concepts. Public ownership is the principle economic system of the mainland. However, it also allows other economic systems to exist, such as private and individual economies. Relevant provisions have been included in the Constitution and so the state cannot and need not nationalize Taiwan investment. Requisition for the benefit of public interests in society is usually inevitable in the world. Public interests in society is a legal term. Under certain special circumstances, such as when public utilities like railways, highways or reservoirs are to be constructed on the site of enterprises, requisition will be exercised. Such a possibility is, though very small, not to be totally ruled out. So we must include such provisions. The enterprise under requisition will be offered compensation or be arranged to move to another site. We can see from the above that the provisions in the Stipulations of the State Council for nationalization and compensation on requisition are for the purpose of safeguarding the interests of Taiwan investors.

Liu Yimin emphasized that the Stipulations of the State Council for the Encouragement of Taiwan Investment are important administrative stipulations of the state and should therefore be conscientiously implemented by all places. Within the scope of authorization under the Constitution, all places can formulate certain local rules and regulations which will not contradict the administrative rules and regulations of the State Council, otherwise, such local rules and regulations will become void. As the government's competent authority for Taiwan investment affairs, the Ministry of Foreign Economic Relations and Trade will exercise supervision and inspection in various places in order to safeguard the successful implementation of the "Stipulations."

Can the Enterprises Using Taiwan Investment Obtain Surplus of Foreign Exchange Balance? [subhead]

There will not be any great change in the mainland's lack of foreign exchange both at present and for a certain period from now on. The way in which they can remit legal revenue and profits out of the Mainland, at their wishes, is a matter of concern to all investors.

According to the development of enterprises of "three capital sources," Liu Yimin said that in principle we require all enterprises to export part of their products in order to achieve the balance of foreign exchange. Also, certain flexible measures have been adopted. At present enterprises using foreign investment can basically gain a surplus in foreign exchange balance. He said that there are many methods to achieve foreign exchange balance other than gaining foreign exchange through export of the enterprises' products, for instance:

—Exercise import substitution. Those enterprises producing the mainland's imported goods can receive all or part of the foreign exchange from local clients after approval.

—Regulate foreign exchange. Different enterprises may regulate the supply and demand of foreign exchange among themselves in foreign exchange regulation markets.

—Enterprises may reinvest in projects producing export products with their share of profit in RMB.

—Export local products bought on the mainland. After being approved by the Ministry of Foreign Economic Relations and Trade, enterprises may purchase local products on the mainland with RMB and export them through the channel of Taiwan or foreign partners.

Liu Yimin stated that the mainland does not limit in time and amount, the profit of Taiwan and foreign businessmen to be remitted out of the mainland.

To increase the cadres' understanding of the open policy and improve the quality of businesses, the departments concerned on the mainland plan to provide training in rotation for officials at departmental and bureau levels for various industries in provinces, cities and autonomous regions within 3 years. This plan has been in practice since the latter half of last year.

As the direct participants in formulating the Stipulations of the State Council for the Encouragement of Taiwan Investment, Liu Yimin and Chen Wenyu expressed their willingness to discuss with governmental and nongovernmental organizations of Taiwan the development of economic relations. They would also like to listen to responses and opinions from all sectors about the investment stipulations so that they may make necessary amendments and supplements in due course.

Paper Urges Reform of Pension System
HK3108055088 Beijing JINGJI CANKAO
in Chinese 20 Aug 88 p 1

[Article by JINGJI CANKAO reporters Li Shengqi (2621 0581 2475) and Chen Baojiu (7115 1405 3773): "It Is Imperative To Raise Funds for Social Insurance in a Unified Manner"]

[Text] Editor's note: Today in this paper, a letter of our reporters is published. It points out a very important social problem that demands prompt solution. That is, how does the whole society ensure that old people can be provided for? We will continue to publish more articles on the status quo of China's retired workers and relevant practices on social insurance in other countries. All men will become old. We hope that all people will show

concern for this question and actively suggest ways and means to promote reform of the retirement and pension system so that people may benefit from it as soon as possible. [end editor's note]

Whether we face it squarely or not, we are all faced with a stern reality, that is, China will soon enter a period of an aging population, and its old retirement and pension systems have reached a blind alley. What is to be done then?

In addition to the progress in science and technology, the way of life of the Chinese people is comparatively good for health. All this has resulted in the Chinese people's longer life expectancy. At the same time, owing to planned population control, the proportion of elderly people in China's total population is increasing rapidly. Statistics provided by relevant departments show that the problem of an aging population has now come to our country. Although this problem is still not serious in some remote provinces and regions, such as Qinghai, Ningxia, and Xinjiang, in some other provinces and municipalities, the aging of the population has already reached the standard set by the United Nations (that is, people over the age of 65 constitute 7 percent of the total population). It is estimated that by the year 2025, China will become a country with an aging population, and there will be large groups of elderly people in society. Facts remind us to make early and prompt preparations for providing for the retired workers, so that we may not be caught unprepared in the future and so that there can be less factors of instability in society.

It is right and proper that the elderly should be taken care of. Immediately after the founding of New China, a retirement and pension system was established in our country. According to this system, the state plays the main role in providing for retired workers, and the enterprises should use a part of their funds for this purpose. However, this system, just as the supply system, is being battered by the current economic changes. Its defects are now thoroughly exposed.

First, with the state taking on everything, including old-age pension, although it looks "fair," it is not a good system because it encourages some people to entirely rely on the state and engenders real inequality in both new and old enterprises. As some enterprises have to bear heavier loads than others, they are unable to compete with them on an equal basis. Meanwhile, as this system is carried out only for the workers in state-owned enterprises and institutions, it will certainly bring about contradictions between workers and peasants and between the workers in the enterprises owned by the whole people and those in the collective enterprises.

Second, as a result of the state taking on everything, there will inevitably be increasing burdens on the state. According to statistics, the number of retired workers has been increasing rapidly in our country since 1978, at a rate of several million a year. In 1978, there were less

than 3 million retired workers in our country, and the state spent 1.6 billion yuan on their pensions. But by the end of last year, the number of retired workers reached more than 18 million, and the state had to spend 18 billion yuan on pensions. It is estimated that by the year 2000, there will be 40 million retired workers and the state will have to spend 50 billion yuan on their pensions even if the current standards remain unchanged. This will become too heavy a burden for the state to bear.

Obviously, the retirement and pension system with the state taking on everything has come to its end. But how do we change it? Some experts proposed that the single-tier structure should be replaced by a multiple-tier structure, the current pattern of immediate spending after withdrawing be replaced by the pattern of accumulation and deposit, and the system with the state taking on everything be replaced by the system with the state acting as a guarantee and the enterprises and individuals sharing part of the burdens.

Some other experts hold that at the current stage, the method of employees paying part of the insurance premiums may help the citizens acquire a concept of relying on themselves to solve their own problems and exercising supervision over the insurance funds they have accumulated. At present, as the insurance system has just been established in the collective and private enterprises, there are not great obstacles for society.

To both the state and the individual, a major problem at present is the lack of funds for the retirement and pension system. However, there are some phenomena calling for our deep thought. On the one hand, everyone is complaining about the lack of funds, but on the other, an abnormal phenomenon widely exists in the people's consumption. According to figures provided by relevant departments, in 1987, the per capita consumption of energy in our country reached more than 2,500 calories a day, which was close to that of developed Western countries. Although China's national income is only \$400 per capita, consumers spend much more on meat and other non-staple food than consumers in South Korea, whose national income is \$1,200 per capita. China's demand for household electrical appliances, such as color television sets and refrigerators, is as great as those developed countries with a per capita income of more than \$1,500. For this reason, we would like to raise the following question for all workers as well as for the whole society: Why can we not save some of the money spent on consumer goods and use it for retirement pensions? If the retired workers will continue to rely on the younger people at work in the future, their demands will never be satisfied and, moreover, the contradictions between the two generations of people and contradictions in society will be aggravated.

We hope that more and more people will be clear about this.

Plans To Prevent Panic Buying Proposed
HK3108070188 Shanghai SHIJIE JINGJI DAOBAO
in Chinese 15 Aug 88 p 2

[Report by SHIJIE JINGJI DAOBAO reporter Chi Tingxi (3069 1694 3588): "There Must Be Measures To Reduce 'Price Hike Expectations'—Lin Yifu Proposes Raising the Bank Deposit Rate to 3 Percent Higher Than the Inflation Rate"]

[Text] More and more residents are withdrawing money from the banks and rushing to purchase commodities. This will affect rational cash flow and the relation between market supply and demand. A few days ago this reporter interviewed Lin Yifu, deputy head of the Development Research Institute of the China Rural Development Research Center, on this problem.

He thought that commodity prices were the fundamental cause of bank runs and panic buying. Price adjustment and price reform are inevitable steps in the reform process of our country. However, if appropriate measures are taken during the process of price reform, such phenomena as bank runs and panic buying can be prevented or reduced to a certain extent.

To achieve the ultimate goal of price reform, Lin Yifu thought that we must make use of adjustment to bring about reform. Price adjustment should be exercised first. However, we can see from the several partial price adjustments since 1979 that the major problem of price reform lies in the possibility of a general price hike during the partial price adjustment process, resulting in the contorted price system not being rectified, and the reform liberalizing the control of the market-pricing mechanism having to be stopped half way.

Lin Yifu thought that the masses' "response to expectations" is basically the reason why partial price adjustment can lead to a general price hike. Residents in urban and rural areas now have total savings of up to 340 billion yuan. For every 1 percent rise in the price index, they lose the purchasing power of 3.4 billion yuan. Therefore, any slight change will cause a large inflow of money into the market for the purchase of commodities. The elasticity of commodity supply in the short run reaches nearly zero, so the large inflow of money into the market will turn price hike expectations into a real price hike. During the partial price adjustment process, food is the daily necessity for people, while energy and raw materials are the basic inputs of industrial production. Any increase in the prices of these products will ultimately be transferred to the costs of all products. Therefore, partial price adjustment will become a signal to the masses that "a general price hike is possible." This quartet of "partial price adjustment—price hike expectations—panic buying of commodities—general price hike" is particularly obvious this year. At present, panic buying is still rising wave after wave in different places over the whole country.

He said that the first difficulty of price reform is the panic buying arising from the price hike expectations of the masses when partial price adjustment is conducted. The panic buying is a result of the psychological pressure from fear that monetary assets may depreciate. To tackle this problem, we may consider two measures that can produce short-term effects: 1) Linking medium- and long-term deposit rates to the price index. This means that we can fix the interest rate at the inflation rate plus an appropriate rate (for example, 3 percent). This can guarantee that the deposit rate has value and therefore the masses' idea that buying commodities is better than keeping money can be eliminated. To fix the interest rate this way is better than raising the interest rate only. 2) Creating savings deposits especially for the purchase of top-grade consumer durables. According to a survey, about 20 percent of the savings of residents in urban and rural areas are used for buying consumer durables; and about 30 percent for preparing marriages for their sons and daughters, which is actually mainly for buying consumer durables. To eliminate the masses' craze for consumer durables, banks can serve as a medium providing savings deposits especially for the purchase of consumer durables. The specific measure is: Deposits can be made in the bank in a lump sum or by installments according to the price of the existing top-grade consumer products minus a particular interest rate. The bank then uses these deposits to grant loans to producers, who have to supply the required products to the depositors within a specified period of time. In this way, the bank can gain some service charges and help factory owners to solve the problem of lacking production funds, and at the same time calm consumers so that bank runs and panic buying can be prevented.

Lin Yifu said that with the above measures we can get rid of a major cause of general price hikes and create an excellent environment for price reform. The two measures should be put into practice before the prices of agricultural products, energy, and raw materials are adjusted.

Over 6,000 State Factories, Mines Lose Money
OW3108065088 Beijing XINHUA in English
0607 GMT 31 Aug 88

[Text] Beijing, August 31 (XINHUA)—A total of 6,364 factories and mines covered within the state budget, or 17 percent of the total, are losing money, according to latest figures released by the State Statistics Bureau.

These enterprises suffered losses totalling 3.64 billion yuan (about one billion U.S. dollars) in the first seven months of this year, up 27 percent from the same period last year.

Most of the loss makers are in the coal, machine-building, chemicals, foodstuff processing, building materials and textiles industries. The coal and petroleum industries as a whole are losing money.

More of the loss-making enterprises are run by central departments than those run by local authorities, the bureau figures reveal.

Some of China's leading economists have blamed the losses on the great fluctuations in industrial growth rates over the past decade, mismanagement and spiralling rises in the prices of raw materials in recent years.

As from next year, such loss-making enterprises will either have to improve their financial position, or be liable to be taken over by other companies or go bankrupt, according to an official from the State Commission for Restructuring the Economy.

Measures Proposed To Reduce Enterprise Deficits
OW3108112988 Beijing XINHUA Domestic Service
in Chinese 0751 GMT 30 Aug 88

[By reporter Xu Kehong]

[Excerpts] Beijing, 30 August (XINHUA) — The statistical figures for losses suffered by China's industrial enterprises as of the end of July are worrisome. The number of deficit-ridden industrial enterprises which are covered by state budget and which constitute the main source of state revenues has reached 6,364, representing 17 percent of the total number of industrial enterprises; the deficit amount stands at 3,637 million yuan, exceeding the 1985 annual deficit of 2,678 million yuan by more than one third and posting a rise of 27 percent over same period last year. The departments concerned of the state have attached due importance to this matter and have formulated a series of supportive reform measures in a bid to improve this unfavorable situation.

China's deficit-ridden industrial enterprises lie mainly in the coal, machinery, chemical, foodstuff, building materials, and textile industries. In recent years red ink has also begun to spill over into the petroleum sector. The deficits in the coal and petroleum industries have spread to all the enterprises belonging to them. Despite repeated price increases, the coal industry sustains losses that get worse each year. In terms of regions, the rate of deficit in the middle and western regions of China is higher than that in the eastern regions by more than 100 percent. Particularly noteworthy is the fact that the number of enterprises burdened by deficits and the rate of losses among enterprises of the central military and industrial organs and among enterprises directly under the central government far surpass those among the local industries. [passage omitted]

The concerned departments of the state and many economists place great hopes on the process of straightening out prices and consolidation of economic order as a means of improving the operations of some businesses and enterprises that have been burdened by deficits for a long time due to policy considerations. How to establish a mechanism enabling enterprises to make up their

deficits at the present time, when the commodity economy is being gradually developed, is also an important link in solving the problem of deficit-ridden enterprises. Recently the responsible person of the Enterprise System Department of the State Commission for Restructuring the Economic System told this reporter: A series of measures will be adopted next year to really place enterprises on the market and, thereby, establish and perfect the mechanism enabling enterprises to make up their deficits. Such measures include making the deficit-ridden enterprises enter the market through public tender, having them contracted for better business operations, making the successful enterprises acquire those burdened with deficits, and auctioning off some medium and small-sized deficit-ridden enterprises complete with declaration of bankruptcy. Some economists also recommend the state to take measures to address the macro-economy as soon as possible, such as properly handling the relationship between speed and economic results, solving the problems of unreasonable costs borne by enterprises and unjustified price hikes of the means of production, perfecting the policy for industrial production, and working successfully in overall control over capital construction and technical transformation.

Status of Contract System Examined
HK3108092088 Beijing GUANGMING RIBAO
in Chinese 20 Aug 88 p 3

[Article by Zheng Mingshen (6774 2494 6500): "On the Historical Status and Trends of Development of the Contract System"]

[Text] At present, people have two different kinds of understanding about the historical status and trends of development of the contracted management responsibility system of enterprises under ownership by the whole people (hereinafter referred to as contract system for short) in economic structural reform. The first understanding is that the contract system is an expedient measure that has to be adopted. The second understanding is that the contract system is a fundamental management and administrative method of enterprises under ownership by the whole people. To me, the contract system is neither an expedient measure, nor a fundamental management and administrative method of enterprises under ownership by the whole people. It is a bridge of transition from the old system to the new one. This conclusion is made on the basis of analyzing various kinds of relations of opposites that have always and inevitably existed in the particular social environment in China.

The Contradiction Between Diversification and Standardization [subhead]

At the present stage, one aspect of our basic national condition is that our economic development is extremely uneven. The conditions in different enterprises vary greatly, and this situation cannot be changed in a short period of time. Therefore, to ensure a good start and

constant deepening of reform in enterprises, the method for reform must be more flexible and suitable. Because of its flexibility and suitability, the contract system has become the main management method for the operation of enterprises under ownership by the whole people. By implementing the contract system, we can adopt the method of consultation, or inviting tenders, or turning over fixed amounts of profits and tax to the state in light of different conditions of the specific factories, and so on. This has explicitly defined the relations between enterprises and the state involving responsibility, rights and interests, and enabled us to avoid the practice of "demanding conformity in everything."

The essence of the diversified forms of contract system is that the state acknowledges the basic qualities of enterprises as the producers of commodities. In the meantime, it does not treat enterprises as pure producers of commodities. This has caused a contradiction between the planned commodity economy and the trends of competition on the basis of equality. We should realize that there is a positive significance in the contradiction. Because of the fact that economic development in our country is uneven, and that the relations between the state policy and various quarters should be constantly readjusted, it is actually difficult to achieve the standardization. Acknowledging the necessity of diversification, and making efforts to develop diversified contract systems has created the conditions for standardization. This will promote the improvement of the operational mechanisms of enterprises, the formation and development of a market system, the separation between the government administration and enterprises, and systematic reform. With the development of a contract system, diversification cannot but conform with the new environment. It will eventually be replaced by standardization. The majority of enterprises will operate on the track of standardization. In other words, the old unity of opposites of diversification and standardization will dissolve, and a new unity of opposites will occur. The contract system will disappear, and be developed into a new operational method.

The Contradiction Between Vertical and Horizontal Comparisons [subhead]

The key content of the contract system is that enterprises should turn over a fixed amount of tax and profits to the state. The calculation of the absolute amount and increase rate of tax and profits turned over to the state is based on vertical comparison [zong bi 4912 3024], and horizontal comparison [heng bi 2897 3024] is used only for reference. In other words, readjustment is made on the basis of the average amount of tax and profits recently turned over to the state in combination with the average profit rate of capital in the relevant regions or trades. The essence of vertical comparison is to make use of individual labor as a yardstick of value to assess the contribution made by enterprises to society. This will determine the relations of distribution between the state and enterprises involving economic interests. Obviously,

since vertical comparison does not reflect the principle of equal competition of the commodity economy, it will conflict with horizontal comparison. At the present stage, we should acknowledge the necessity and rationality of vertical comparison because of the following reasons: 1) Only by letting enterprises turn over to the state fixed amounts of tax and profits, and increasing them at a fixed rate can we ensure the stable financial income of the state, and urge enterprises to enhance their economic results. 2) Only by setting the base on vertical comparison can we solve the problem of the great disparity in the profits of different enterprises because of unreasonable prices. 3) The base should be vertical comparison, and can be properly readjusted. Only thus can we encourage the "flying ox," urge the "slow ox," and cure the "sick ox."

However, with the development of the contract system, the commodity economy and domestic market in our country will develop considerably. The state will continuously increase its financial income. Some backward enterprises will become advanced ones. Some enterprises will go bankrupt, and be amalgamated into some powerful enterprises. Therefore, the conditions for horizontal comparison will get riper. It will inevitably replace vertical comparison, and become a principle commonly pursued in the society. This means that if we continue the contract system, its defects will outweigh its merits. It is a wise choice to take the initiative to abolish it.

The Contradiction Between Rigidly Fixing Economic Responsibility and Enlivening the Market [subhead]

On the one hand, the contract system has demanded that enterprises fulfill their fixed production quotas and make comprehensive achievements. On the other hand, it has also demanded that the decisionmaking power of enterprises should be expanded, and that efforts must be made to give play to the role of market mechanisms. These are relations of opposites, which mutually rely upon and exclude each other. The relations of mutual reliance are reflected in the following. Under the existing system, only by assigning to enterprises fixed amounts of profits and tax to be turned over to the state can they feel the pressure, and have the driving force to make progress. Only thus can a market system be gradually formed. In the meantime, only by enlivening the market can enterprises take their contracted economic responsibility. The relations of mutual exclusion are reflected in the following. First, a fixed economic responsibility system should be pursued under the prerequisite that the market is relatively inactive, and that the number of uncertain factors is relatively small. Second, a brisk market and full competition should be promoted under the prerequisite of enterprises having the capability to carry out a flexible readjustment. Otherwise, enterprises will be tied up by contracts, and it will be difficult to truly to enliven the market.

Since the commodity economy in our country is not developed, there is a contradiction between fixed economic responsibility and enlivening the market. However, mutual reliance and promotion are the main

aspects of things. Therefore, at present it is necessary to vigorously promote the contract system. It is absolutely possible for us to do so. However, with the continuous expansion of the decisionmaking power of enterprises, and the increasing improvement of the market system, and the development of competition, the conflict between "fixed" economic responsibility and "active" market will become more acute. Many defects will occur if we continue to stick to the contract system by relying on the amendments of the relevant contracts. Major amendments of contracts will weaken their power. Frequent renegotiations are not allowed by the modern commodity economy, which is developing very rapidly. This has decided that the contract system should be replaced by other operational methods that are more suitable for the new stage of development of the socialist commodity economy.

Contradiction Between the Time Limits of Contracts and the Long-Term Conduct of Enterprises [subhead]

To implement a contract system, there should be time limits for the contracts. A short time limit of a year can only encourage a short-term conduct of enterprises. A long time limit of 10 to 15 years can hardly be accepted by both the state and enterprises because of people's restricted cognitive capability in understanding the law governing the activities of a commodity economy.

Compared with the highly concentrated old system, the existing contract system can better protect the legitimate interests of the parties involved during the contracting period. This will encourage operators, workers and staff members in enterprises to pay attention to the reserve strength of their enterprises to ensure a stable growth of their economic interests. Therefore, under the existing conditions, the contract system is beneficial to the long-term conduct of enterprises. However, a contracting period of 3 to 5 years is comparatively short if we want enterprises to pursue their best conduct in the interest of their commodity economy. After the basic framework of a planned commodity economy has been set up, the market will become active, and a large number of external uncertain factors will produce an increasingly greater influence over enterprises. At that time, the power of a contract for rigidly fixing economic targets for a certain period of time will be obviously weakened. The contract system will surely be replaced by the new operation method that will promote the long-term conduct of enterprises.

The Contradiction Between Administrative Interference of the State and Independent Operation of Enterprises [subhead]

Since the new and old systems coexist, it is very difficult to avoid administrative interference by the state in enterprises. The contract system has not only closely and

directly linked the interests between the operators and enterprises, but also strengthened enterprises' driving force for independent operation and self-protection. The contract system has also provided enterprises with a legal weapon for resisting illegal interference—contracts. Therefore, the contract system is beneficial to effectively urging enterprises to march toward independent operation.

However, the contract system has not completely solved the problem of exempting enterprises from administrative interference. It can only reduce the scope of, and change the form of interference. With the development of the contract system, enterprises will demand increasingly powerful independent operation. This will cause a series of reactions to the external environment. For example, this will increase the number of contracts signed between enterprises, and urge them to further implement a joint-stock system, causing an organizational and structural change in enterprises. This will promote the growth of market, provide better conditions for the independent operation of enterprises, pound at the old macroscopic management system, and promote the change in the functions of the government, and so on. The contract system stands between the administrative interference of the state and the independent operation of enterprises. It has promoted the independent operation, and reduced the administrative interference, and will eventually facilitate the effective operation of the mechanisms of the "state-regulating market, and market-guiding enterprises." At that time, there will be no need for enterprises to make use of contracts to protect their own rights and interests, and the state will also be willing to throw away the heavy burden of signing contracts with tens of thousands of enterprises. The contract system will then be forced to step down from the stage of enterprises' reform.

To sum up, we know that the contract system has contained some basic demands for the development of a socialist commodity economy, and certain vestiges of a product economy. It is of a dual nature. We should neither negate it because of its vestiges of the old system, nor overestimate it because of its positive role. The dual nature of the contract system has determined its course of development, namely the course of the gradual establishment of the new system, and the self-negation of the contract system itself.

Article Views Strengthening Price Control

HK3108090188 Beijing RENMIN RIBAO in Chinese
24 Aug 88 p 2

[Article by reporter Lu Zhenhua (7120 2182 5478): "It Is Necessary To Strengthen Price Control"]

[Text] Since price controls over some commodities were removed, and prices of some commodities were readjusted upward, prices of other commodities, taking advantage of the situation, have gone up one after another. Engineered by speculators, big and small, who are in power or who have official backing, prices of some

commodities have even climbed higher and higher, like a snowball growing bigger and bigger as it rolls along. People feel puzzled and worried about the situation. Is the Price Control Mechanism Out of Order, or Is the Abnormality Caused by Price Reform? People Begin Seeking a Solution to the Problem [subhead]

The Regulations of the People's Republic of China on Price Control (referred to hereinafter as the Regulations), which formally came into effect on 20 September last year, marked the beginning of a new period in China's price control. The Regulations provide for three price management formats: state-fixed prices, state-guided prices, and market-regulated prices, enabling price control to further keep abreast of the developing commodity economy at that time.

But the 39 measures provided for in the Regulations are not a panacea. Voluntary and arbitrary price hikes and extra charges have increasingly become the prevailing practice in many places. Price management has proved ineffective.

In the first half of this year, it took only 3 months for the price departments to unearth 16,000 cases involving illegal overcharging for farming materials amounting to more than 130 million yuan. The chief offenders included many official speculators, but more surprising is that all quarters had a hand in the speculation. Four examples in point: One is that local governments or departments, making use of local financial resources, rushed to purchase farm-oriented materials in short supply, while many local authorities, taking only their own interests into account, fixed prices by exceeding their power or authority, and came out in support of price hikes initiated by enterprises. As a result, the prices of agriculture-related materials soared. A second example is that local departments, enterprises, public institutions, and individuals took part in illegal transactions, and made profits in turn by engaging in speculation. A third is that production enterprises, making use of loopholes in the "double-track price system," sold planned products as products outside the plan at a high price. The fourth is that some operating units did not fix prices as stipulated, and increased their profit rates by pushing up the prices of their products without authorization.

The markets for means of production and consumer goods are no better than the market for agriculture-related materials. The guiding price can hardly play the expected role, and the ceiling price is but an empty shell.

A mayor was in a tearing hurry to intervene when a price department took action against a pharmaceutical factory that made a profit of 2.4 million yuan by illegally raising the prices of its products. Again, when another price department imposed a fine of 500,000 yuan on a railway

station, another mayor pleaded for mercy for the latter. There are so many such cases that administrative personnel find it hard to enforce the law.

Price departments at all levels conduct thorough inspections around the country, and provinces and cities also check themselves for anything unlawful or make surprise investigations, but their work does not have a lasting effect, and it has proved too difficult to proceed further with price control. A responsible cadre of a state price inspection department said with regret: "At present, offences against price control are too numerous to unearth, and the criminals refuse to mend their ways despite repeated punishment. The price control mechanism appears to be out of order."

China's price control is based on the age-old single pricing system that includes a high degree of centralism. Though we have experience in setting prices, our price control and supervision systems fall a good deal short of the rapidly expanding market mechanism.

It is reported that commodities whose prices are set by the state account for only 65 percent of the means of production, 24 percent of the total amount of agricultural and sideline products purchased by the state, and 30 percent of consumer goods, while commodities whose prices are allowed to be regulated by market forces, adjusted upward, or set by industrial and commercial enterprises through consultation are increasing in number. Price control introduced by the state faces a new challenge. On the basis of their analyses, some economists have said: "A pressing matter of the moment is to improve and strengthen price control."

The Key to Strengthening Price Control Is That on the One Hand the Departments Responsible for Price Control Should Change Their Functions and Improve Their Capacity for Macroeconomic Control, and on the Other, We Should Set Up a New Authority and Bring Under Control Those Which Should Be Controlled [subhead]

All countries in the world have their own market control departments, and they only vary in their chief functions with different market developments. As reform deepens, it is high time for the departments responsible for price control to change their functions. That is to say, they should change the focal point of their work from planned price fixing to readjustment, control, and supervision. They should gradually set up a macroeconomic control system, and, making full use of the market mechanism and means of control, establish a fair market so as to meet the needs of the development of commodity production.

When the price controls on 13 famous brands of cigarettes and wines were lifted on 28 July this year, it provided an inkling of a change in the functions of price control departments. When there was an imbalance between total supply and total demand nationwide, why did the price reform on the above cigarettes and wines

prove successful? Economic analysts believe that the crux of the matter is that price control departments had got rid of the outmoded methods of controlling prices. First, they had to hand the information about price fluctuation and sales of famous brands of cigarettes and wines in the major cities across the country, and improved their capacity for controlling the national market. Second, they respected the laws of the market, and readjusted prices in time, thus giving full play to macrocontrol.

By contrast, we did not strengthen macrocontrol in accordance with the laws of the market when we removed the price restriction on bicycles in 1986, and in some places the price of bicycles was in fact set by the mayors. As a result, the price of bicycles was not regulated according to the laws of the market after the restriction was removed; bicycle coupons were at a premium; and bicycles were sold on the black market in the streets and lanes.

It is clear from the above incidents that different approaches have different results. The conclusion people draw from their experiences is that the changes in the functions of the price control departments are of great importance.

Some people hold that since a new price system is being substituted for the old one, and new measures will come out one after another, the disorderly market will have to be straightened out in the later stage of price reforms.

Hua Sheng, a research worker of the Economic Institute under the Academy of Social Sciences of China, refuted this position by holding that at this moment price controls should be strengthened instead of weakened. He said: "Now that the market is in a shambles, and especially when the people are angry with the institutions or corporations operated by official bodies that have thrown the market into disorder by ganging up with corrupt officials and profiteers in the market, 'stealing what is entrusted to their care,' and doing whatever they like, to take a laissez-faire attitude will only adversely affect our reform."

Comrades engaged in research on prices in the Economic, Technological, and Social Development Research Center under the State Council point out that the price control departments must rationalize the control system as soon as possible, improve the laws and regulations, and strengthen their functions. They hold that the price control departments should lift the restrictions that should be lifted and effectively control those that should be controlled. It is necessary to apply sanctions against monopolies, and against hoarding and cornering the market. The price control authorities should take vigorous action against "official speculators" and "small speculators" who manipulate the market, arbitrarily increase prices, and engage in illegal

transactions, and bring them under strict control. The authorities should also inflict punishment according to law on those who illegally make exorbitant profits.

In Introducing Price Reforms, We Should Combine Laissez-Faire, Readjustment, and Control. If We Fail To Keep Prices Under Control, Runaway Prices Will Be Hard To Keep in Check [subhead]

Some business administrators have deduced two important figures from their experiences: In controlling prices and setting up a sound market, comprehensive control plays a 20 to 30 percent role, while banking, tax revenue, and industrial and commercial management play a 70 to 80 percent role. It is clear that comprehensive control is a very important matter. Paying little attention to "control" is not only an error in one's duty, but also a problem arising from erroneous thinking.

Information from all areas gives us much food for thought: Responsible members of some production units in the northeast area said: "Industrial raw materials are our strong point, you price control departments might as well give prices of raw materials a way out!" Leaders of some trades in the coastal regions echoed: "Manufactured goods are our strong point, you had better not inspect the prices of manufactured goods." Leaders of some local governments were more specific: "If you comrades responsible for investigating prices just sit in the office, sipping tea and reading newspapers, you will make the greatest contribution to the localities."

The serious task of price control has been tortuously interpreted. Especially since the system of separate budgetary plans for the central and local authorities was introduced, and the decisionmaking powers of enterprises were enlarged, the local authorities, departments, and enterprises, which have their own interests to take care of, have often violated relevant laws and regulations in their own interests. The decrees governing price control issued by the state have failed to keep them within bounds, and price inspectors or supervisors are blocked at the gate. As a result, people who are concerned with and support price control become fewer and fewer.

In mid-July last, when representatives from all quarters who took part in a forum had listened to the complaints made by some comrades responsible for price control, they sighed with emotion and put forward three suggestions:

1. The whole country must act in unison and make concerted efforts to force a way out, and, under the unified leadership of the central authorities, cultivate authority for price control.

2. We must tighten discipline and strictly implement orders and prohibitions. Localities, organizations, and individuals must rigorously observe and enforce the laws and regulations on price management.

3. Partial and local interests must be subordinated to overall interests. The localities, departments, and enterprises should put first the interests of the country and the whole people. Some people must modify their pragmatic attitude toward policies issued by the central authorities in which they make use of state policies in their own interests, and implement them according to their own interpretation.

Whether or not we shall succeed in our price reform depends on concerted efforts from all quarters. Not until we have set up a price system that is reasonable and has a sound control mechanism can we create a favorable environment for price reform.

JINGJI RIBAO on Cotton Production
OW3108081388 Beijing XINHUA in English
0634 GMT 31 Aug 88

[Text] Beijing, August 31 (XINHUA)—According to a survey of 15 key cotton production bases, more land will be devoted to growing cotton this year, but this masks growing problems in the industry, today's "ECONOMIC DAILY" reported.

The survey, which covered cotton production bases in Hebei, Shanxi, Liaoning, Jiangsu and Shanghai, listed the following problems:

—High production costs, long cycles and low profitability make farmers reluctant to grow cotton. Heishan county in Liaoning Province has a total cultivated area of 110,000 hectares, 40 percent of which is suitable for cotton. But, the survey says that no cotton is grown there at all any more.

—Farmers lack the necessary means of production. For example, Nantong County in Jiangsu Province was only allocated half of the plastic sheets it needed, and had to buy the rest at higher prices.

—Poorer quality cotton seeds are leading to lower yields.

Investigation of Rural Areas - Part 4
HK '08032188 Beijing NONGMIN RIBAO
in Ch. 17 Aug 88 p 2

[Article "specially written for NONGMIN RIBAO" by XINHUA reporters Yi Kailin (2496 0418 2651), Huang Yanglue (7806 2254 3970), and Guo Xianwen (6753 3759 2429): "Investigation of Rural Areas in Five Central and Southern Provinces and Regions, Part 4—Adopt the Strategy of Advancing at Different Paces, Lift Price Restrictions on Large-Quantity Agricultural Products"]

[Text] During our tour of the rural areas in the five central-southern provinces and regions, everybody we met agreed that rigid control over agricultural products would lead agriculture nowhere and the restrictions on the prices of such staple farm products as grain, cotton, and edible oil simply must be lifted. As for the specific

measures to lift the restrictions, leaders and practical workers in some provinces, cities, and counties suggested a strategy of implementation by categories, by areas, and by stages.

—Before the restrictions on the prices of all other products are finally lifted, the restrictions on the prices of some categories of agricultural products should be lifted first, provided that the conditions for the lifting of restrictions are ripe, the supply of and demand for these products are roughly equal, and the lifting of restrictions will not have tremendous impact on the overall situation. Guangdong Province lifted the restrictions on the price of beef in 1979. The restrictions on the prices of poultry, eggs, and fruits were lifted in the following year. The restrictions on meat and vegetables were not lifted until 1984, when fish farming had boomed and the price of fish had tended to be stable in urban areas. And that was 4 whole years after the restrictions on the prices of aquatic products were lifted. The lifting of the restrictions on the price of edible oil was effected 3 years later, and the price reform for grain and sugar, which might involve more difficulties, has been further delayed. With these arrangements, we can avoid scaring the public and prevent sharp fluctuation of prices on the market.

Now the focus of attention is placed on the lifting of the restrictions on the prices of grain and edible oil. Experts from grain departments of Hunan and Hubei Provinces hold that edible oil should have priority over grain with regard to the lifting of restrictions on prices. They suggested that the lifting of the restrictions on the price of edible oil should be stepped up. Since only a small amount of edible oil is supplied at par, ordinary households generally have to buy oil at negotiated prices, and, in addition, the gap between the listed price and the market price is rather narrow. This year Guangdong and Guangxi have separately lifted the restrictions on the price of edible oil without causing any noticeable fluctuation on the market.

—Among different economic areas, the lifting of restrictions on prices should first be effected in coastal provinces and cities which are economically more developed and can better withstand the impact of reform, and then extended to other areas in the interior of the country. Some experts noted: After the central authorities have laid down a general strategy, it is necessary to encourage various provinces, municipalities, and autonomous regions to formulate their own policies and to decide, in light of their local conditions, the products that will be subject to lifting of price restrictions, the extent to which the restrictions will be lifted, the price level that will be reasonable afterward, and so on. Thus we will be able to separately solve the problems that may arise altogether after the simultaneous lifting of price restrictions in the country, and thus avoid any great risk.

—As supply of grain involves a wide range of factors and is of great importance, the restrictions on the price of grain should be lifted through several steps. Now various localities are working on the plan to lift price restrictions by steps. To sum up, there are two main ideas:

The first idea suggests that the procurement and marketing prices of grain fixed by the state procurement and marketing plan be raised step by step to approach the market price level, so that the aim of overall lifting of price restrictions be finally fulfilled. That is the policy Guangdong is pursuing. As the first step, they have already raised the contract purchasing price of rice from 19.16 yuan per dan to 25 yuan per dan, and the rationing price of rice from 14.2 yuan per dan to 30 yuan per dan. In the past, more than 1.2 billion yuan was appropriated as subsidies to make up the gap between the higher procurement price and the lower marketing price. Now part of these subsidies are directly paid to peasants by raising the grain procurement price while another portion is paid to functionaries of administrative organs as subsidies for grain price. The difference between the price of grain supplied to those in rural areas who enjoy grain rations and the normal price of grain is to be made up by local financial departments through increasing subsidies. As for the staff and workers of enterprises, the subsidies for price differences are to be paid by the enterprises, being counted as part of their production costs. Individual industrial and commercial households in urban areas who enjoy a fairly high income are to pay the price difference themselves. The balance of financial subsidies totaling 40 million yuan is to be used to subsidize a small number of enterprises that are suffering losses and some counties that are facing financial difficulties. So Guangdong Province has effected a substantial adjustment of the purchase and marketing prices of grain. Now this system has been in effect for more than 2 months without causing any serious chaos in the market and among the public.

Another idea suggests that the procurement and marketing quotas fixed by the state plan be reduced step by step, so that part of the financial subsidies will be saved for raising the procurement price of grain, and that the grain price, except in the field of contract purchase by the state, will be subject to fully free fluctuation. According to Ren Zhengxiao of the procurement and marketing office of the Hunan provincial grain bureau, Hunan Province, under the state plan, marketed 4.7 billion jin of grain in 1987. As the first step, the department concerned of Hunan should make up its mind to cut the amount of grain supply to industrial crop-producing zones and industrial and foodstuff processing enterprises in rural areas by 1.7 billion jin, while ensuring the supply of 3 billion jin of grain rations at par to urban residents, staff and workers of plants and mines, army units, and the police. By so doing, subsidies totaling about 300 million yuan could be saved each year and the amount of grain purchased by the province according to the state plan could be reduced from 7 billion jin to 4.5 billion jin. The 300 million yuan saved in this way could be used to raise the procurement price for the 4.5 jin of grain purchased. With the benefit derived from the price difference in the marketing of the materials, taking into account the "Three Linking" [san gua gou 0005 2171 6869] policy, the procurement price for grain can actually exceed 25 yuan a dan. Furthermore, as a greater

portion of grain is subject to "free" price fluctuation, the peasants can make more profits. After the grain supply quotas are reduced, the supply of this reduced portion will be guaranteed by implementing a policy of "high purchasing price corresponding to high marketing price." At present, a total of 8.3 million people in Hunan Province are enjoying a monthly grain ration of 30 jin per person. If their grain ration can be cut to 28 jin each, the grain marketed at par will decrease by nearly 200 million jin.

As the second step, for the supply of grain rations to people in urban areas, the marketing price of grain, which used to be lower than the procurement price, will now be raised to the same level as the procurement price. Then, as the third step, all the restrictions on the grain price will be lifted, on the premise that the supply of grain rations be guaranteed.

If the idea adopted by Guangdong Province can better suit economically developed coastal areas, then the idea presented by those working in grain supply departments in Hunan Province will be more useful to most provinces and autonomous regions where the economy is still underdeveloped and local financial departments, enterprises, and individual consumers are not ready to withstand the impact of changes in the price system.

Now many people, both in rural and urban areas, are worried about the outcome of the program to lift restrictions on the prices of agricultural products, especially the prices of grain. It is quite common that, while longing for a rise in the grain price, peasants are afraid that the rise in the grain price will immediately cause the prices of agricultural capital goods to rise in turn. As a result, "raising the grain price leads to a rise in the prices of five capital goods" (namely, chemical fertilizer, agricultural chemicals, plastic thin film for agricultural use, diesel oil, and power supply to agriculture), and, after all, it is the peasants themselves who will suffer losses. On the other hand, urban residents are afraid that raising the grain price will cause the prices of other daily necessities, especially non-staple foodstuffs, to rise, and thus lead to loss of control over prices. To cope with these worries, various localities have presented some concrete views and suggestions.

1. It is not suitable to simultaneously lift both the prices of agricultural capital goods and the prices of grain, cotton, and edible oil. Agricultural departments of Hunan Province have suggested that the restrictions on the prices of agricultural capital goods be lifted at least 1 year after the restrictions on the price of grain are lifted. At the same time, both the central and local authorities must increase investment in the industries that support agriculture, adopt preferential policies to promote the production of agricultural capital goods, and take real action to deal with the problem of excessively high profit rate due to existence of too many intermediate links in the field of circulation.

2. Applications for raising the prices of some processed products as a consequence of a rise in the prices of grain and oil are subject to strict inspection and approval by commodity price control, industrial, and commercial departments. Those who arbitrarily jack up prices will be prosecuted.

3. While lifting the restrictions on the grain price, we must make it clear that the grain coupon system will not be rescinded. When announcing the decision to raise the procurement and marketing prices of grain, Guangdong Province also assured the public that grain coupons will continue to be valid and declared that residents must still present their grain ration books when buying rice, and grain coupons can only be used to buy rice and wheat flour products and other foodstuffs. This is a fairly rational policy.

Efforts Underway To Produce Power Equipment
OW3108192488 Beijing XINHUA in English
1414 GMT 31 Aug 88

[Text] Beijing, August 31 (XINHUA)—More than one million technicians and workers from 1,000 machine-building firms are involved in a nationwide effort to turn out more power-generating equipment in China.

The equipment produced throughout the country between January 1986 and June 1988 had a combined power-generating capacity of 20.6 million kw, Zhao Mingsheng, vice minister of the Machine-Building and Electronics Industry, said tonight at a national telephone meeting.

Of it, the equipment with a power-generating capacity of 16.87 million kw has joined the power grid, Zhao added.

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HK0109095288 Beijing RENMIN RIBAO
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"Qiushi Holds Forum on Distribution"

East Region

Anhui Settles 20,000 Demobilized Officers

OW3108224688 Hefei Anhui Provincial Service
in Mandarin 1100 GMT 29 Aug 88

[Text] The resettlement of demobilized PLA officers is now in the final stage in Anhui.

Since 1985 when the PLA began its reduction-in-strength reorganization, Anhui has accepted and resettled nearly 20,000 demobilized officers. The 3-year reorganization will come to an end this year.

Anhui began to prepare for the resettlers in mid-May. Based on the needs of personnel, various localities have made positive efforts to broaden the channels of placement. Guided by resettlement plans, the military has begun to make recommendations and various recipient units have begun to make choices, giving priority to the needs of production units and [words indistinct] as well as the preferences of exemplary middle-aged and young officers. This has ensured the progress of the resettlement. Thus far, an overwhelming majority of demobilized officers have already been properly resettled.

During a recent provincial conference on the resettlement of demobilized officers, Vice Governor Shao Ming underscored the need to understand the current situation. He called for stronger leadership over the resettlement of demobilized officers, a higher sense of national defense, and public concern and support for the resettlement program. He added that all departments should take the overall needs into account, actively coordinate their operation with the resettlement, and intensify the training of resettlers so as to improve their proficiency.

Shanghai Acts To Check Wave of Panic Buying

OW3108080388 Beijing XINHUA in English
0628 GMT 31 Aug 88

[Text] Shanghai, August 31 (XINHUA)—The government in Shanghai, China's largest city with a population of over 10 million, is acting to contain a wave of panic buying.

A city government official said that the government will increase the production of 21 daily goods including TV sets, bikes, refrigerators, washing machines and sewing machines.

The government has also decided to supply the market with goods worth 270 million yuan in the coming days and sell at a lower price 720-million-yuan-worth 2,000 kinds of goods in stock to cool panic buying.

"We are sending more officials to supervise commercial activities in the market to better check speculators and profiteers," the official said.

Shanghai Students Get Military Training

OW0109004188 Shanghai City Service in Mandarin
0900 GMT 30 Aug 88

[Text] Amid majestic martial music, eight contingents of middle school students in red, white, blue and black uniforms, led by commanders and fighters of the Army, Navy, and Air Force, marched gallantly into the Huangpu Auditorium this morning to be reviewed by party, government, and Army leaders in Shanghai.

Since 15 August, some 35,000 first-year senior middle school students of 275 middle schools in the municipality have completed a short-term military training course which lasted 10 days.

Jiang Zemin, secretary of the Municipal CPC Committee, reviewed the student parade and hailed the students for their excellent formation and spirit. He pointed out: Military training is of great significance. It will help students develop patriotism and collectivism and heighten their sense for national defense. This is the kind of concept that every student should build up.

Central-South Region

Guangxi Party Leaders View Problems

HK3108032388 Nanning Guangxi Regional Service
in Mandarin 1030 GMT 30 Aug 88

[Excerpts] The Guangxi Regional CPC Committee held a work conference from 25 to 27 August. In light of the current situation in reforms and economic work, the meeting discussed and studied the work for the remaining months of the year, mobilized the party and government departments, and called on the people of all nationalities to gain a clear understanding of the situation in reform, face the current difficulties squarely, and work in concert to do a good job of all work in the last 4 months of the year in an attempt to fulfill and overfulfill the tasks for the year and lay a good foundation for next year's work. [passage omitted]

Chen Huiguang, secretary of the regional party committee, and Wei Chunshu, deputy secretary of the committee and chairman of the regional government, made important speeches at the meeting.

Comrade Wei Chunshu's speech, delivered on 25 August, entitled "Gain a Clear Understanding of the Situation, Face the Difficulties Squarely, and Do a Thoroughly Sound Job in All Work in an Attempt To Fulfill and Overfulfill All Work Tasks for the Year," was in six parts:

1. Evaluate Correctly the Current Situation in the Region.

Generally speaking, the situation is good. In agricultural production, especially grain production, despite various serious natural disasters, the damage has been reduced

greatly as a result of the hard work of the cadres and masses. It was estimated originally that early rice output would decline by some 1 billion jin, but now it appears that the loss may be 100 million jin less than that. Production of sugarcane, fruit, and of the township and village enterprises has developed quite rapidly.

In industry, despite serious shortages of electric power, coal, and raw materials, output value from January to July was 9.922 billion yuan, a rise of 13.4 percent over the same period last year. The region's financial revenue was 1.86 billion yuan, a rise of 18.2 percent over the same period last year. After allowing for the price increase factor, the real income of urban and rural residents rose by 10.3 percent.

While fully affirming the achievements, we must also face the current difficulties squarely and the latent factors for instability. The main ones are: 1) China's all-around reforms have now entered a crucial stage and we have encountered some very difficult problems. In particular, there are many contradictions in the price and wage reforms. At the same time, it is not possible that there could be no contradictions in our reforms. All this constitutes a complex factor for instability. For instance, prices have risen greatly this year and inflation has appeared. Panic buying by the masses has occurred in places. 2) Guangxi lacks sufficient finances and is short of capital and energy. This seriously affects economic development. 3) Enterprise economic returns are not good enough, while consumption funds have grown too much. 4) Some of the masses are rather confused mentally, and this is a major obstacle to the progress of reforms.

2. Tackle Late Rice Production Seriously To Recoup the Losses of the 1st Half of the Year and Strive for All-Year Output Equal to Last Year.

The regional party committee and government demand that all prefectures, cities, and counties tangibly strengthen leadership over agricultural production. All sectors and trades must work in concert to get a good grasp of late rice production so as to recoup the summer grain losses. [passage omitted]

In light of grain production conditions in the 1st half of the year, the regional government will readjust the summer grain procurement quota to 1.4 billion jin, 210 million jin less than last year. It is essential to ensure the basic fulfillment of this task by 15 September. [passage omitted]

3. Under the Premise of Paying Attention to Economic Returns and Ensuring Stability and Coordination, We Must Maintain Relatively High Growth Rate in Industry.

About 80 percent of the region's financial revenue comes from industrial profit and tax. The financial issue, the market arrangements, the price issue, and the wages

issue in the final analysis are resolved through the development of the economy and the improvement of economic returns. Therefore, improving enterprise economic returns and striving for relatively rapid industrial growth is a fundamental way for us to get through the difficult pass and extricate ourselves from difficulties.

At present, the region's industrial production is rising lower than the national average. On the other hand, economic returns are not good enough. In the next 4 months, all localities and departments must strengthen leadership over industrial production. [passage omitted] We must seriously implement the Enterprise Law, run the factories according to law, and also introduce the competitive mechanism of the township and village enterprises into the state-owned enterprises, and establish the competitive mechanism everywhere. We must seriously organize well the production and supply of electric power and coal. [passage omitted] 4. Take Active Steps To Improve Financial and Monetary Work.

Generally speaking, the region's financial situation in the 1st half of the year was good, but there are also many difficulties and problems. Due to the excessive increases in expenditure, a budget deficit of about 400 million has already appeared. There are many items scheduled for the 2d half of the year, and capital allocation is extremely difficult. We must take active steps to overcome the financial and monetary difficulties. We must uphold the financial contracting policy and ensure that whoever has a deficit is responsible for it. We must perfect the enterprise contracted management responsibility system. [passage omitted]

From now until the end of the year, institutional purchasing power is to be frozen, while expenditure of various administrative undertakings is to be strictly controlled. We must cut expenditures on meetings. Except for commendation gatherings, prizes and souvenirs are not to be handed out at any meetings. There must be strict controls on touring and foreign trips.

In monetary matters, we must resolutely implement the policy of controlling the total amount of currency and readjusting the structure and exercise strict control over credits and loans. We must vigorously organize savings deposits to ease the blows at the markets. We must further organize the withdrawal of currency from circulation.

5. Seriously Do a Good Job in Arranging the Markets and Step Up Price Controls.

The region's markets were basically stable during the 1st half of the year. In particular, no great fluctuations occurred following the lifting of restrictions on the prices of four nonstaple foods. However, factors for market instability have increased since the 2d half of the year, and prices have continued to rise. The party committees, government, and departments concerned must pay great attention to this.

In the course of price reforms, through raising and readjusting wages and appropriately increasing subsidies, we should ensure that the real living standards of the great majority of staff and workers will not drop and will in fact improve as production develops. At the same time, we should further implement the principle of distribution according to labor and resolve a number of outstanding problems of irrationality in wage distribution.

At present we should get a good grasp of the following tasks in market arrangement and price control: 1) Set up a responsibility system for the number one man. 2) Get a good grasp of production, to increase supplies. 3) Strengthen the readjustment and control capacity of the state-owned commercial departments. There should be suitable reserves of sensitive daily necessities closely linked to the masses' daily life. 4) Step up price supervision and inspection, and resolutely put a stop to indiscriminate hiking of prices and fees. 5) The departments concerned must cooperate closely to solve the inflation problem in a comprehensive fashion. It is essential to resolutely cut back nonproductive construction and take stock of and sort out large nonproductive building projects. 6) Step up media propaganda and observe strict discipline.

Chairman Wei Chunshu then stressed the importance of clean and honest party and government organs. [passage omitted]

Regional Party Committee Secretary Chen Huiguang delivered a summation speech at the meeting on 27 August. He stressed that the leaders at all levels and the cadres and masses throughout the region must clearly understand the current situation in reforms and in the region's economic construction, boost confidence in deepening reform and speeding up economic development, brace their spirits, overcome difficulties, work hard, and fulfill all the year's work tasks well, so as to score outstanding achievements to greet the 30th anniversary of the founding of the autonomous region and make full preparations for next year's reforms.

Chen Huiguang pointed out that the 10th meeting of the CPC Central Committee Political Bureau approved in principle an initial scheme for price and wage reforms, and laid down a number of tasks to be grasped next year centered on these reforms. We must seriously implement the spirit of these arrangements.

Chen Huiguang said: China has now entered the crucial stage in all-around reforms. Many fundamental issues are involved. In particular, the price and wage reforms touch on the interests of every person and every stratum. There is a certain degree of risk involved. However, these reforms are the key to economic structural reforms, and they must be carried out. We cannot retreat in the face of difficulties or take a detour. The leading comrades at all levels must have a correct understanding on this issue,

further implement the CPC Central Committee's principles and policies on deepening the reforms, and establish firm confidence in reform. [passage omitted]

Chen Huiguang pointed out that at a time when reforms are at a crucial stage and the tasks of economic construction are arduous, we must revamp and strengthen ideological and political work. At present we should focus on three aspects in this work: 1). Conduct education in the situation, to enable the party members, cadres, and masses to understand correctly the current situation in reform, the political situation, and the economic situation, and work in concert to traverse the difficult passes in reform and promote economic construction. 2). Get a good grasp of education in discipline, to enable the party members, cadres, and masses to enhance their concept of discipline and strictly abide by the party and state policies and the state laws and decrees. In particular, when major central policies are tabled, we must unify our action and carry them out resolutely. 3). Get a good grasp of education in honest government. [passage omitted]

Chen Huiguang also stressed that attention must be paid to providing correct guidance for public opinion in society, to create an excellent climate of public opinion for developing the political situation of stability and unity, promoting reforms, and developing the economy.

Chen Huiguang said: Now that we have entered the crucial stage of reforms, all our tasks are arduous and complex, and this demands all the more urgently that the party organizations at all levels pay great attention to party building. At present, it is first necessary to govern the party with strictness, strengthen the sense of organization and discipline, improve the fighting strength of the party organizations, and give full scope to the model and vanguard role of the party members. Second, it is necessary to step up the party's grass-roots building, to give scope to the role of the grass-roots party organizations as a fighting force and ensure that the party's line, principles, policies, and tasks can truly be implemented in the grass roots. [passage omitted]

Guangzhou Naval Base Stages Exercise
*HK0109031388 Guangzhou Guangdong Provincial
Service in Mandarin 0400 GMT 31 Aug 88*

[Text] With the support of the provincial and city governments, the Guangzhou naval base recently assembled more than 20 vessels for a large-scale military exercise in a certain area of the South China Sea. The exercise was based on the struggle to defend territorial sovereignty over the Nanshas. The exercise simulated future warfare and actual combat in complex weather conditions. The People's Navy's existing technology, armament and equipment, and personnel qualities were given a systematic and realistic test in this exercise. During the exercise, the local governments did a lot of

work in material supply and in supporting the military personnel and giving preferential treatment to their dependents, thus ensuring the full success of the exercise.

Guangzhou PLA Meeting Stresses Regularization
*HK3108052588 Changsha Hunan Provincial Service
in Mandarin 2200 GMT 30 Aug 88*

[Text] At the Guangzhou Military Region symposium on stepping up management education for building the PLA during the new period, which concluded in Hengyang on 30 August, PLA Deputy Chief of Staff He Qizong, and Guangzhou Military Region Commander Zhang Wanjian and Political Commissar Zhang Zhongxian made speeches calling on the units throughout the military region to govern the army with strictness, strengthen management, and raise the regularization of the units to a new level.

Hunan Provincial CPC Committee Secretary and Governor Xiong Qingquan, accompanied by Hunan Military District Commander Jiang Jinliu, made a special trip to the meeting to offer greetings. He said: The experiences of the PLA in stepping up management education are very good and merit learning and reference by the localities.

During the meeting, a certain antiaircraft brigade stationed at Hengyang and over 10 other units introduced their experiences. At the conclusion of the meeting, the leading organs of the military region commended some 20 advanced units.

Henan Governor Inspects Impoverished Areas
*OW3108151988 Beijing Domestic Service
in Mandarin 0930 GMT 29 Aug 88*

[Text] Henan Provincial Governor Cheng Weigao recently led a number of responsible persons of departments and bureaus at the provincial level to handle official business on site in the impoverished areas of Fanxian County and Taiqian County. They tried to help local people solve problems encountered in production and daily life.

Most cultivated land in Fanxian County and Taiqian County is scattered along both banks of Huang He. Whenever flood season sets in, some crops and villages get flooded. Per capita income in the countryside was less than 200 yuan last year. Some people even live on loans.

Henan Provincial Governor Cheng Weigao, together with six members of the standing committee of the provincial party committee, led more than 20 directors and chiefs of departments and bureaus at the provincial level to call on victims in seven townships of the two counties from 24 to 27 August. They personally inspected the grain remaining in the peasants' households and tasted the vegetables eaten by the peasants. They led the cadres and people in a joint effort to analyze

the causes of long-term poverty and try to find a way out for prosperity through industriousness. They solved 10 problems then and there, including providing a loan of 10 million yuan to help local people repair their irrigation works and organizing a labor force to work in the coal mines of various localities.

Hubei Public Security Work Conference Ends
*HK3108084488 Wuhan Hubei Provincial Service
in Mandarin 1130 GMT 30 Aug 88*

[Text] At a provincial conference on public security work which concluded today, Governor Guo Zhenqian emphasized: Party committees and governments at all levels must place public security work as a major matter on the order of the day and bring the consolidation and development of public security work into line with social development of all localities. He also pointed out that local police stations must be reinforced and public security work should make contributions to the rise of our province in central China.

This year public security offices of the province have efficiently protected the development of economic construction and the deepening of reform by launching well-organized and smashing attacks upon different kinds of criminal offenses. Statistics show that from January through to July, more than 22,000 criminal cases were unearthed throughout the province, of which there were over 4,000 serious and violent cases. Meanwhile, at least 2,900 criminal gangs were smashed and stolen goods and money worth at 17 million yuan captured. In July ordinary criminal cases and serious ones across the province were down 12.1 percent and 5.6 percent respectively.

The recently held provincial conference on public security work conscientiously summed up experiences, conveyed instructions by the Party Central Committee and the State Council and the spirit of a recent national conference attended by heads of public security department and bureaus, and readjusted and made arrangements for the province's public security work before the Spring Festival of this year and in the days to come by centering on creating a stable political environment for the reforms and establishing a new order for the commodity economy.

When addressing the conference, Governor Guo Zhenqian called on the province's police to seek unity of thinking, strictly observe discipline and stimulate confidence to protect the reforms. He also pointed out: It is necessary to build up a public security contingent which can stand the test of any emergency incidents and adhere to the principle of punishing criminals with the utmost severity and improving public security in a comprehensive way. Meanwhile, making the contingent clean and honest should be taken as a matter of primary importance.

Citizen Security Force Keeps Order in Shenzhen

OW0109054788 Beijing XINHUA in English
0530 GMT 1 Sep 88

[Text] Shenzhen, September 1 (XINHUA)—A citizen's security force, more than 7,900-strong, has been formed to help maintain order in Shenzhen, a special economic zone in southeast China.

Yesterday morning, over 1,200 of the uniformed guards paraded before party, government and military officials of the city, the first of its kind ever in China.

The well-trained force originated as street guards in late 1984 but now has branched out to incorporate floor guards, factory guards and village guards. The guards help security offices, man sentry boxes and serve security companies.

Besides carrying police sticks and firearms, some of the guards are equipped with mobile radios and motorcycles.

Since last year the force is credited with catching 13,864 criminals and has helped police solve 412 criminal cases, 126 of them serious ones.

They have also dealt with 1,633 cases concerning public order and recovered 2.25 million yuan worth of stolen property.

They have mediated disputes, aided in rescues and promoted public order.

In appreciation of their good service, civic officials handed out awards to 55 units and 613 guards at yesterday's review.

Southwest Region

Guizhou's Hu Jintao Addresses PLA Session

HK0109045988 Guiyang Guizhou Provincial Service
in Mandarin 2200 GMT 31 Aug 88

[Text] The 11th Enlarged Plenary Session of the Guizhou Provincial Armed Forces Commission convened in Guiyang yesterday morning.

Hu Jintao, provincial party committee secretary and commission chairman, delivered a speech at the meeting. He emphasized: The armed forces work of our province must suit the general trend of reform. So far as the work is concerned, we must handle correctly the relationship between blazing new trails and dealing with things in a realistic way and between carrying forward fine traditions and exploring new ways, promote resolutely the work of militia and reserve service in line with local conditions, improve and strengthen leadership over

armed forces work, and bring the role of armed forces commissions at all levels into full play so as to make greater contributions to the armed forces work of our province.

Present at the meeting were Vice Chairmen of the Commission Luo Shangcai, Zhang Yuqin, Jiao Bin, (Kang Guzhi), (Li Yuandong), and (Zeng Xiangding) as well as 29 members of the commission.

Guizhou CPC Committee Elects Party Leadership

HK3108020588 Guiyang Guizhou Provincial Service
in Mandarin 2200 GMT 30 Aug 88

[Excerpts] The first plenary session of the sixth Guizhou Provincial CPC Committee, convened on 30 August, elected the Standing Committee, secretary, and deputy secretaries of the committee. Comrade Hu Jintao presided. [passage omitted]

The session elected Hu Jintao, Wang Chaowen—Miao nationality; Liu Zhengwei, Ding Tingmo, Long Zhiyi—Yi nationality; Zhang Shukui, Hu Kehui—female; (Kang Shuzhen), and Liu Hanzhen as members of the Standing Committee. In this election by secret ballot, the number of candidates exceeded the number of posts.

Hu Jintao was elected secretary of the committee, and Wang Chaowen, Liu Zhengwei, Ding Tingmo, and Long Zhiyi were elected deputy secretaries. In this election the number of candidates equalled the number of posts.

The session approved the elections of the chairman and vice chairmen of the provincial advisory commission made at the first plenary session of the commission, and the elections of the Standing Committee, secretary, and deputy secretary of the provincial discipline inspection commission made at the first plenary session of the commission. Comrade Hu Jintao made a speech.

The first plenary session of the provincial advisory commission was held on 29 August. [passage omitted] The session elected Su Gang as chairman of the commission, and (He Renzhong) and (Xing Yijiang) as vice chairmen. [passage omitted]

The first plenary session of the provincial discipline inspection commission was also held on 29 August. [passage omitted] The session elected Liu Hanzhen, (Qiu Songfei), (Li Zhongwei), (Li Wanxin), (Zhang Renfu), (Liu Caiyun), and (Yang Changjin) as members of the Standing Committee of the commission. Liu Hanzhen was elected secretary and (Qiu Songfei) and (Li Zhongwei) were elected deputy secretaries of the commission. [passage omitted]

In his speech at the first plenary session of the sixth provincial party committee, Comrade Hu Jintao said that the 5-year term of the sixth provincial party committee will precisely be an extremely important period of history during which China will switch from the old

economic setup to a new one. It will also be a key stage for Guizhou in making reform dominate the overall scene, vigorously developing socialist commodity economy, and laying a sound foundation for extricating ourselves from poverty and advancing toward a comfortably well-off living standard. The sixth provincial party congress has formulated the basic tasks for the next 5 years. We must work with still greater vigor to fight the key battles in reform, fight a general battle for development, and fight a protracted battle to build the two civilizations simultaneously, and ensure the fulfillment of the tasks. The new provincial party committee must therefore succeed in the following respects:

1. Persevere in reform and tackle the key tasks vigorously. We have now entered the crucial stage of all-around reform. The very difficult and unavoidable problems of price and wage reforms are now facing us. This situation in itself poses a fundamental demand: The new provincial party committee must become a leadership collective that perseveres in reform and vigorously tackles the key tasks. [passage omitted]

2. Go deep into reality and do things in a practical and truth-seeking way based on local conditions. [passage omitted]

3. Unite as one and work with concerted efforts. [passage omitted]

4. Keep clean and honest and set good examples. [passage omitted]

Tibet Government Chairman Inspects Qamdo County
HK3008133888 Lhasa Tibet Regional Service
in Mandarin 1330 GMT 29 Aug 88

[Excerpts] Regional government chairman Doje Cering on 26 August visited Qamdo town to listen to a briefing on Qamdo county's performance in agricultural, animal husbandry, and sideline production this year and on the county's plan for next year. Having heard the briefing, Doje Cering pointed out: You in Qamdo county should make the best use of your favorable geographical conditions and the local market to promote economic development. [passage omitted]

The regional government chairman also said: Now that Tibet is faced with serious shortage of funds, it is one of our most pressing tasks to invigorate the local economy. All of us in Tibet must concentrate our attention on economic construction. We must face reality squarely, otherwise our plan to invigorate Tibet's economy will be rendered as empty talk. [passage omitted]

Doje Cering finally urged people in Qamdo to study conscientiously Comrade Qiao Shi's instruction on the work in Tibet, more eagerly update their conceptions, enhance their economic sense, emancipate their minds, and make their contributions to the economic development of Qamdo county.

North Region

Hebei Governor on Tax Collection Work
SK3108034688 Shijiazhuang Hebei Provincial
Service in Mandarin 2200 GMT 22 Aug 88

[Excerpts] At the 22 August provincial tax work conference, Provincial Governor Yue Qifeng urged: Governments at various levels throughout the province should adopt realistic measures to further strengthen tax collection work. The masses of cadres of tax departments should further emancipate their minds, give full play to the functional role of tax collection, and make greater contributions to promote Hebei's economy.

Provincial Governor Yue Qifeng said: With the continuous deepening of reform and the development of the commodity economy, the position and role of tax collection have become increasingly important. In particular, at present reform has entered a crucial period. The provincial party committee and government hope that tax departments at various levels and the masses of tax cadres will understand the situation clearly, and work hard to facilitate rapid development of industrial and agricultural production and other undertakings.

Provincial Governor Yue Qifeng pointed out: The tax law is an important part of the state law. Therefore, tax departments should persistently carry out tax work according to law. They should collect the taxes that should be collected in an adequate and timely manner according to the state unified tax law and tax collection policies. They should never permit and tolerate tax evasion aimed at seeking selfish interests for small groups or individuals. Tax departments at various levels should act according to the tax categories, tax rates, and tax collection policies as stipulated in the tax law, and collect the amount they should collect. They should not levy tax excessively, and must grant tax reduction and exemption when taxes should or may be reduced or exempted. [passage omitted]

Provincial Governor Yue Qifeng said: During the period for economic structural reform, tax collection work is often where many contradictions are concentrated. This makes tax collection more difficult.

In view of this, he urged governments at various levels to conscientiously strengthen leadership over tax collection, place the work high on their agenda, strengthen tax organs, support them to carry out tax work according to

law, and help them solve as many practical problems as possible. Governments at various levels and various departments should understand and support tax collection work.

He also urged: Leading persons of tax departments at various levels should set themselves as examples in wholehearted devotion to and honesty in performing public duty. They should often educate tax cadres to abide by law and discipline and to serve the people wholeheartedly. They should intensify training on policies and professional work, and strive to establish a contingent of well-trained cadres who abide by discipline strictly, and are honest and upright in performing official duties.

Hebei Procuratorate Holds Security Briefing
*SK3108034088 Shijiazhuang Hebei Provincial
Service in Mandarin 2200 GMT 15 Aug 88*

[Text] The provincial procuratorate held its first news briefing on the morning of 15 August. (Gao Wenying), deputy chief procurator and spokesman, introduced the work situation and achievements over the past 10 years since the resumption of our province's procuratorial organs, and the current public security situation of our province.

(Gao Wenying) said: The current public security situation of our province is basically stable, but there are still some problems. The major ones being the increase of criminal cases, in particular major criminal cases; the serious situation in which people released from transformation and reeducation through labor commit crimes again; the new development in gang crimes; the increase in the cases affecting public security; and the continued occurrence of serious economic crimes.

In view of the rigorous situation in public security, (Gao Wenying) urged procuratorial organs at various levels to heighten their vigilance, carry out their work in various fields in a down-to-earth manner, and create a good social environment for the smooth progress of reform and opening up.

To comprehensively carry out mass activities of exposing economic crimes, (Gao Wenying) announced a decision of the provincial procuratorate. The provincial procuratorate will set up a telephone booth at the accusation and petition section for exposure and supervision, and designate a special person to be on duty around the clock.

Liaoning's Quan Shuren Praises Work Team
*SK0109044488 Shenyang Liaoning Provincial
Service in Mandarin 2200 GMT 31 Aug 88*

[Text] After hearing a report given by an east, west, and north Liaoning work team stationed in Jianchang County, Quan Shuren, secretary of the provincial party committee,

said recently: Your method of supporting the poor through science and technology is correct, and your experiences are worth being summarized and popularized.

Over the past year since the work teams were sent to selected areas, they have popularized scientific and technological knowledge through lectures given by college and university lecturers and professors whom they invited, and have trained 60 technicians specialized in fruit and vegetable production, 40 English teachers, and 180 teachers for preschool education. Meanwhile, they have introduced a group of projects aimed at achieving affluence, such as the (Bokaohe) fine strain of rabbit, processing of haw, and production of haw tonic beverage. The economic results have been notable.

Northeast Region

Sun Weiben Inspects Social Security Work
*SK0109034288 Harbin Heilongjiang Provincial
Service in Mandarin 2100 GMT 31 Aug 88*

[Text] On 31 August, leaders of the provincial party committee and government inspected social security work in Harbin. Sun Weiben, secretary of the provincial party committee, fully affirmed Harbin City's social security work. He pointed out: Harbin City's social security work should serve as a window for other localities and serve as an example for our province.

Leaders of the provincial party committee, including Sun Weiben, also made a special trip to Daoli public security subbureau to hear briefings on appraising cadres and policemen in a democratic way. In addition, they also heard a work report given by the Daoli industrial and commercial bureau on making public its administrative work and on consciously placing its work under social supervision.

Sun Attends Awards Ceremony
*SK0109033888 Harbin Heilongjiang Provincial
Service in Mandarin 2100 GMT 31 Aug 88*

[Text] The Shenyang Military Region held a ceremony to present medals of honor for meritorious services to Harbin retired cadres at a certain Air Force aviation academy in Harbin on 31 August.

(Han Qitang), president of the aviation academy, read the orders which were signed and issued respectively by Deng Xiaoping, chairman of the Central Military Commission; Wang Hai, commander of the PLA Air Force; and Zhu Guang, political commissar. Eighteen retired cadres were awarded PLA independence medals of honor for their meritorious services, and 53 retired cadres, including (Li Sizhang), were awarded victory medals of honor for their meritorious services.

Sun Weiben, Hou Jie, He Shoulun, and other leading comrades attended the award ceremony.

Jilin's He Zhukang Thanks Liu Jingsong for Aid
SK3108011088 Changchun Jilin Provincial Service
in Mandarin 2100 GMT 30 Aug 88

[Text] On the afternoon of 29 August, He Zhukang, secretary of the provincial party committee and provincial governor, upon returning to Changchun from the flood-fighting frontline, called up Liu Jingsong, commander of the Shenyang Military Region, and highly appraised the contributions made by the flood-fighting troops in their battle against the second flood peak of Nen Jiang and the Army's new contributions to safeguarding the second hometown.

At 0000 on 22 August, the second flood peak of Nen Jiang entered our province's Zhenlai section of Nen Jiang. The flood peak emptied into Songhua Jiang on 28 August and flowed out of our province on the morning of 30 August.

Through the 6-day arduous efforts of the more than 6,000 PLA officers and soldiers and local people, the 130-km embankment on Nen Jiang was left unscathed.

On behalf of the provincial party committee, the provincial government, and the people in Jilin, Comrade He Zhukang extended heartfelt thanks to the leaders and PLA units of the Shenyang Military Region for their support, and asked the higher level to record the meritorious deeds of the No 81021 unit and No 81829 unit stationed in our province and some 6,000 PLA officers and soldiers who attended the flood-fighting and emergency-dealing work on Nen Jiang.

First Private Middle School Opens in Liaoning
OW3108132688 Beijing XINHUA in English
1212 GMT 31 Aug 88

[Text] Beijing, August 31 (XINHUA)—The first batch of 230 students began their studies in the first private senior middle school in Shenyang, capital of Liaoning Province, today.

Founded by Kong Fanyu, an assistant professor at Shenyang Education College, the Shenyang Experimental Senior Middle School has four classes, of which two are grade one, and two are continuation classes of grade three.

The school has 23 teachers, who are paid by the hour and according to their qualifications.

The school enrolls students through examinations, and the tuition fee per student is 500 yuan annually.

Most of the 230 students are from intellectuals' families.

Northwest Region

Scientists Develop Neutron Generator in Gansu
HK3108100388 Beijing CEI Database in English
31 Aug 88

[Text] Lanzhou (CEI)—Chinese scientists have developed a neutron generator that is up to the world's advanced levels.

The generator, which can produce 33,000 billion neutrons per second, was jointly developed by the modern physics department of Lanzhou University in northwest China's Gansu Province and the Nuclear Research Institute.

It passed a state test on August 28.

Qinghai Congress Standing Committee Meets
HK3008151288 Xining Qinghai Provincial Service
in Mandarin 1400 GMT 29 Aug 88

[Excerpts] The Seventh Provincial People's Congress Standing Committee held its fourth meeting in Xining today. The first plenary session was held this morning, presided over by Huanjue Cailang, chairman of the Standing Committee of the Provincial People Congress. Present at the session were 27 members of the Standing Committee, including Vice Chairmen Ga Bulong, Xabchung Garbo, Xie Gaofeng, Ma Wending, and Yang Maojia. Provincial Governor Song Ruixiang, Vice Governor Bainma Dandzin, President of the Provincial People's Higher Court (Ma Yougong), Chief Procurator of the Provincial People's Procuratorate Zhang Jimin, and responsible people of other departments concerned attended the session as nonvoting delegates. CPPCC Provincial Committee Vice Chairman Fu Shichun, Adviser to the China Democratic League Qinghai Provincial Committee (Zhang Haian), and deputy to the Qinghai Provincial People's Congress (Ma Peilin) attended the session as invited observers.

The participants in the session listened to and approved the agenda of the current meeting. Vice Governor Bainma Dandzin gave a report to explain the draft procedure for implementation of the PRC Compulsory Education Law in Qinghai Province. Bainma Dandzin said: [passage omitted] By 1987, there are 729,811 pupils enrolled with primary and junior secondary schools in the province. Elementary education has been fully developed in 11 counties and districts. However, due to deficiencies in economic and natural resources, basic education is still pretty underdeveloped in the province, and the development of education has been quite unbalanced in different parts of the province. At present, the enrollment rate of school-age children in the province is 82.4 percent; for minority nationality autonomous prefectures, the highest enrollment rate is 88 percent and the lowest enrollment rate is 21.6 percent; the enrollment rate is as low as 11.2 percent in some counties. [passage omitted]

Xinjiang Radio on Commentator's Article
HK3108012188 Urumqi Xinjiang Regional Service
in Mandarin 0000 GMT 31 Aug 88

[Report on 31 August XINJIANG RIBAO Commentator's Article: "Xinjiang Must Open Its Doors Wide in Order To Develop Itself—More on Studying in Depth the Marxist Theory Concerning Minority Nationalities and the Party's National Policies"]

[Text] The article says: The reforms, opening up, and four modernizations drive now underway reflect the common interests and aspirations of the whole country, including those of the people of all nationalities in Xinjiang, and are thus enthusiastically supported by the whole country, including the people of all nationalities in Xinjiang.

However, there is a very small number of people who make a great fuss about the exploitation of Xinjiang's resources, babbling that Xinjiang's oil is flowing eastward and its cotton is being shipped elsewhere; a great deal of material is shipped out of Xinjiang, but not much is shipped in. They even propose that exploitation and shipment elsewhere of Xinjiang's resources should be prohibited. These ideas are extremely erroneous.

The first reason why these ideas are wrong is that they run counter to the fundamental great law of our state, the PRC Constitution. Xinjiang is an inseparable part of the great motherland. Xinjiang belongs to the people of the whole country. Xinjiang's abundant resources belong to the state and to the people of all nationalities throughout the country, not just to one particular nationality. Hence, it is quite natural that the state, proceeding from the overall situation in the whole country, should rationally exploit and use in a planned and measured way the resources of all kinds of the whole country in light of the requirements of economic development. These include the resources of minority-nationality regions. This is fully in accord with the fundamental interests of the people of the whole country, including the minority nationalities.

The article points out: Another reason why this theory of the outflow of resources is wrong is because it runs counter to the general laws of economic development. Comrade Zhao Ziyang said at the all-China commemoration gathering for nationality unity that there is no way out unless the whole country carries out reforms and opening up; similarly, there is no way out for each nationality unless it carries out reform and opening up. Reform and opening up, this tide that accords with the

development of history, reflects the [words indistinct] of the people of all nationalities and is irresistible. The development of commodity economy is bound to undermine natural economy. It is bound to break through all [words indistinct] hampering its development, break down regional administrative and nationality fortresses, and promote the (?development) of the domestic market and even the international market. Anyone who seeks to halt this process will become a criminal in history.

The article points out: Another reason why the theory of the outflow of resources is wrong is that it does not accord with the historical facts of Xinjiang for the past almost 40 years. Since the liberation, Xinjiang has shipped out a great deal of material for provinces, municipalities, and autonomous regions in the interior to develop industrial and agricultural production, making a major contribution to the country's socialist construction. At the same time, the state and the fraternal provinces, municipalities, and autonomous regions have also provided tremendous assistance for Xinjiang's economic construction and shown even greater care and concern. Since the liberation, despite relatively tight finances, the state has provided great assistance for Xinjiang's development and construction. In the 38 years from 1950 to 1987, the central authorities provided Xinjiang with financial subsidies totalling 27.359 billion yuan, 90 percent higher than Xinjiang's total financial revenue of 14.14 billion yuan during the same period. Investment in fixed assets in Xinjiang by the central ministries and commissions amounted to 17.87 billion yuan during the same period.

It is precisely due to this tremendous support that Xinjiang has continually recorded new achievements in its development and construction and its economic strength has continually increased.

The article emphasizes in conclusion: From these figures, we can see that the idea of the outflow of Xinjiang's resources only reflects the gloom and antipathy of a very small number of people who attempt in vain to split the unity of the motherland and undermine nationality solidarity; they use this idea to influence young people who know nothing about historical facts and lack analytical judgement. We hope that all localities will organize the cadres and masses of all nationalities during the drive to study Marxist nationality theory and the party's nationality policies to fully expose the errors and the deceptiveness of this absurd theory. We also hope that the party members and cadres and all people of goodwill will enhance understanding and clearly distinguish between right and wrong.

Radio Commentary on Effects of U.S. Trade Bill
OW3108060188 Taipei International Service
in English 0200 GMT 31 Aug 88

[Station Commentary: "U.S. Trade Bill Worries Some; Not Others"]

[Text] The 1988 Omnibus Trade Bill which was signed by U.S. President Ronald Reagan 10 days ago, has been greeted with consternation, disappointment, and some anger by major U.S. trade partners. Critics are calling the bill overly protectionist and say that it violates the letter and spirit of GATT, the General Agreement on Tariffs and Trade.

Unlike in past episodes of this sort, however, at least one major U.S. trade partner, the fifth largest to be exact, that is the Republic of China [ROC] on Taiwan, has taken the new trade legislation in stride. Some officials are relieved because they think the law could have been much worse, or much more damaging to world trade. Others agree with the U.S. Congress that it is indeed time for Uncle Sam to force a new trade order upon the world economy.

The most common reaction on Taiwan, though, was to downplay the trade bill because it would not be that relevant to Taiwan. There was a time, mind you, that such legislation would have shocked the pants off officials here. But, since the Republic of China on Taiwan has moved to open its markets, slash tariffs, and take other trade surplus reduction measures, it has fallen further and further out of the target range of U.S. trade retaliation.

It figures then, that those who have not acted to reduce their massive trade surpluses with Uncle Sam are the ones angry over the trade bill—as in the Japanese, who urged President Reagan not to sign the bill, then fretted over it when he did. Japan threatened to take GATT action against the U.S., and called the bill blatantly protectionist. That admonition, coming as it does from the very country which Americans perceive to be the father of protectionism, seemed well off-base to officials in Washington.

The European Community [EC] also got into the act of U.S.-bashing over the trade legislation. EC Trade Commissioner Willy de Clercq said all the bill's propositions are protectionist in nature, and are damaging to trade relations with the United States. He said the EC would be most concerned about the U.S. resolve to enforce antidumping measures, the export control portions of the bill, and the Section 301, which gives the U.S. the right to seek trade retaliation on a sector-by-sector basis.

In days of old, the Republic of China [ROC] on Taiwan probably would have joined this chorus of trade bellyachers. But, unlike some other major trading nations, we have seen the light on the world trade scene. For too long, free world nations have been too dependent on the

U.S. market, the ROC on Taiwan especially. Uncle Sam has been burdened with the financing, in one way or another, of other nations' development in the post World War II era. In trade, the U.S. kept its markets wide open, letting others prosper by it. The U.S. market then, became the engine of world economic growth.

That has changed as many of the beneficiaries of the U.S. trade generosity have risen to become Uncle Sam's rivals in world markets. Many of these nations are resisting the trend which seeks to bring more balance, and fairness to Uncle Sam, in world trade. The ROC on Taiwan is not in that crowd. The trade bill will hurt, but it is in America's interests, and thus in ours.

Editorial on U.S.-Asian Trade Friction
OW2708041788 Taipei CHINA POST in English
13 Aug 88 p 4

[Editorial: "Asians' Anti-American Sentiments"]

[Text] A survey by REUTER, which it reported from Tokyo Thursday, showed that anti-American sentiments in Asia are growing as a result of the tough U.S. trade stance and U.S. pressure on Asian nations to buy more American products.

The report cited anti-American feelings of Japanese farmers responding to the U.S. demand that Japan buy more U.S. fruits. In Seoul, the South Korean people resent the U.S. demand to buy more U.S. beef. In the Republic of China [ROC], U.S. efforts to open the ROC market to the imports of turkey meat and fruits have resulted in a deadlock in their trade talks.

All these are due to U.S. attempts to push its trading partners to open their markets wider to U.S. products and to reduce import tariffs and restrictions on U.S. goods.

From the U.S. point of view, it is only asking for equal treatment from trading partners whose economies have grown enough that they no longer need to be protected.

Thus, U.S. Secretary of State George Shultz said in his recent Asian tour that "sometimes, it seems to us that everybody wants the U.S. market to be opened and that's as far as it goes. It has got to be reciprocal."

But some economists chide the way the United States has gone about the matter even while agreeing that Washington should push for more open markets.

At the same time, some Asian policymakers view the stepped-up U.S. pressure as a sign of the country's declining economic strength and its need for outside help to reduce its huge trade deficits. Even Singapore considers the U.S. strength as declining in comparison to Japan's and the Soviet Union's.

Anti-American sentiments are also on the rise in the Philippines as a result of the inconclusive base talks with some extremists suggesting kicking out the bases.

But many economists consider Taiwan sensitive to any suggestion of high-handed American behavior. That is the reason the ROC Government has gone out of its way to accommodate U.S. demands in trade and foreign exchange affairs even at its own disadvantages.

The passage of a trade bill by the U.S. Senate by an 85-11 vote on Aug. 3 has sent a clear warning to all Asian nations that they may face even more pressure from the Reagan administration after President Ronald Reagan signs the bill. That legislation would compel the United States to retaliate against countries which set up unfair countries which set up unfair barriers to American goods and give new bargaining authority to U.S. trade officials.

The new trade bill has already caused alarm and concern in Asian nations, which consider the bill as harmful to the world's free trade system and urge its elimination. But as the bill was passed by an overwhelming majority in the House and the Senate and President Reagan indicated that he would sign it, there is little chance it will be eliminated in spite of its protectionist features.

It is imperative for all Asian nations to rally together to deal with this situation and discuss ways and means to counteract future U.S. moves in threatening to apply Section 301 of the trade act against its trading partners.

Minister Says No State-Run Firm-Mainland Trade
OW3108001488 Taipei CNA in English
1543 GMT 30 Aug 88

[Text] Taipei, Aug. 30 (CNA)—Vice Economics Minister Li Mo declared Tuesday that state-run enterprises will not be allowed to have trade relations with the Chinese mainland and so, under this policy, Taiwan Power Co. [Taipower], one of 10-state owned enterprises, cannot buy mainland coal.

It was reported that Taipower had asked the Ministry of Economic Affairs whether Taipower could indirectly import mainland coal. Li said that he had not so far seen the Taipower inquiry.

'More Flexible' Trade Policy Slated
OW0109001488 Taipei CNA in English 1518 GMT
31 Aug 88

[Text] Taipei, Aug. 31 (CNA)—To cope with changing circumstances on both sides of the Taiwan Strait, the Ministry of Economic Affairs [MOEA] is planning to adopt a more flexible trade policy towards the Chinese mainland if the Republic of China's security can be secured, Li Mo, vice economics minister, said Wednesday.

Li told the local press that the nation has already lifted its trade ban with Eastern European countries and now permits the indirect import of 50 agricultural and industrial materials from the China mainland.

The MOEA has instructed the Board of Foreign Trade to prepare a more far-sighted proposal to help with the nation's economic development, as long as the nation's interests and security are secured.

Mainland's 'Bandit' Label Removed
OW2708035700 Taipei CHINA POST in English
13 Aug 88 p 12

[Text] The government yesterday decided to stop calling products from mainland China "bandit goods" after a liberalization of imports of raw materials from the mainland earlier this month.

It was the first time in four decades that the government has removed any reference to Communist China as "bandit territory."

The government has also permitted incoming travelers to bring with them mainland Chinese products including herbal medicines, liquor and cigars, which were confiscated by local customs in the past.

Some adventurous people had simply removed or covered the "Made in China" marks to sneak the mainland goods into Taiwan.

The new measures were adopted during a meeting yesterday to revise "regulations governing the crackdown on mainland Chinese goods" by the Board of Foreign Trade [BOFT], the Cabinet's Li Hsing [Implementing With Effort] committee to formulate mainland policy, the Taiwan Garrison Command and the National Police Administration.

The government agencies reiterated the opening of indirect imports of mainland Chinese items approved by the BOFT and the economics and finance ministries.

On Aug. 5, the Economics Ministry announced the lifting of a ban on the indirect imports of 20 raw materials from mainland China and 30 which have already been allowed here.

These mainland items will no longer be labeled as "bandit goods," the BOFT said, adding that the government will now call them "products from mainland China" or "products from Communist China."

According to new regulations, "Made in China" labels or marks on the imported materials must be removed before importation to Taiwan.

But the import permits and related documents should indicate that the goods were made on the mainland.

The BOFT said they may apply the same rules to products made in the Soviet Union, Vietnam, and North Korea if the government opens indirect trade with these socialist countries.

Taiwan's indirect trade with mainland China is surging and economists estimated that trade between the two sides will hit a record U.S. 2.5 billion this year and over U.S. 3 billion in 1989.

Vincent C. Siew, director-general of the BOFT, said, "We expect rising indirect trade with mainland China because of growing imports of mainland materials."

The government has said it will consider proposals from industry associations for indirect imports of other mainland materials, and would approve the requests if the imports do not affect national security or the interest of the public.

Legislators Visit Hungary, Meet Trade Officials

*OW3108043288 Taipei CNA in English
0328 GMT 31 Aug 88*

[Text] Vienna, Aug. 30 (CNA)—A group of 10 legislators from the Republic of China [ROC] Tuesday met with Hungarian economic and trade officials in Budapest and visited industrial establishments in Hungary.

Legislator Lin Yu-hsiang said members of his group proposed to the Hungarians that both countries offer preferential tariff treatment to each other. To enable ROC businessmen to visit Hungary and observe the market situation themselves, the Chinese legislators expressed wishes that the Hungarian Government would simplify the visa application procedures for people from the ROC.

The ROC legislators told the Hungarian trade officials that small and medium business has been very active in the ROC. It is important for people from Taiwan to see the Hungarian marketplace themselves and the best way is to encourage more Chinese from Taiwan to visit this East European country.

The legislator group visited a bus chassis manufacturing plant and a train compartment manufacturing plant in Hungary. They were also shown the mass transit system. Legislator Lin said he has noticed that Hungary has very good agriculture and paper industry. As for the demand for import products, the country imported a great number of computers. The legislators were happy to know that PC computers from Taiwan have been marketed very well in Hungary.

The Hungarian economic and trade personnel told the Chinese legislators that they hoped the Republic of China's businessmen would use Hungary as a center to develop the marketplaces in East Europe.

The Hungarian business and industrial circles also welcome businessmen from Taiwan to make investments in Hungary. They pointed out that Hungary has very good tourism resources. Some 1.48 million foreign tourists visit Hungary every year. Chinese businessmen are encouraged to invest in building hotels in Hungary and bring in the management technology.

The Legislator group went to Budapest from Vienna Aug. 28 for a 3-day visit. They concluded their visit to Hungary Tuesday afternoon.

Vice Minister on Application To Rejoin GATT

*OW3108004388 Taipei CNA in English
1546 GMT 30 Aug 88*

[Text] Taipei, Aug. 30 (CNA)—The Republic of China [ROC] will apply to rejoin the General Agreement on Tariffs and Trade (GATT) "when the time is ripe," Vice Economics Minister Wang Chien-shien said Tuesday.

Wang's remarks came as foreign wire service reports said that Communist China will be admitted to GATT next year. He, however, said he knew nothing about whether or not Peiping would join the international trade organization.

The ROC has yet to present its application for GATT membership, the vice minister said, adding, "but we will do so when the time is ripe."

Since the ROC's return to GATT is not a purely economic issue but involves many complicated political factors, the nation must be cautious in pushing for this goal, he said.

Vincent C. Siew, the outgoing director general of the Board of Foreign Trade, however, expressed optimism about the nation's chances of rejoining GATT and other international trade and economic organizations such as the Organization for Economic Cooperation and Development (OECD).

Although it may take 1 or 2 years to complete the application process, the ROC will become a member of the organizations sooner or later, said Siew, who will soon become vice chairman of the Council for Economic Planning and Development.

Siew admitted that the biggest problems hindering the ROC from joining major international organizations is from political pressure from the Chinese Communists. But, he said, Japan, the United States, and many other countries have repeatedly expressed their support for the nation's admission to these organizations, and this support is expected to help the ROC Government remove the hindrances and return to the world economic stage.

Taipei Hails Decision To Allow Mainland Visit
OW2908020788 Taipei International Service
in English 0200 GMT 17 Aug 88

[Station commentary: "Guess Who Is Coming To Conference"]

[Text] The annual conference of the International Council of Scientific Unions, the granddaddy of science groups, is slated for 16 September. For Taipei, the decision to send a delegation necessarily meant the breaking of new ground in policy. Originally the government decided that the time was not ripe for this kind of contact, whether unofficial or not, with Communist China. But after scientists on Taiwan and Overseas Chinese lobbied the government strongly on the issue of Taipei's need to attend, the government decided to side with pragmatism and let the scientists have it their way.

Until November 1987, the ROC [Republic of China] Government on Taiwan had banned all contacts with Communist China. Then, at that time, the government liberalized that policy by permitting for the first time Chinese on Taiwan to visit relatives on the communist-occupied China mainland. Since then, more than 100,000 Taiwan Chinese have paid visits to the mainland. After seeing the success of the visit program in terms of Taiwan's influence on the mainland, the ROC Government has decided to further liberalize such people-to-people contacts on a gradual basis.

The government's original decision not to attend the Peking conference posed serious problems for the Taiwan scientific community. It had become evident that the International Council of Scientific Unions was prepared to consider booting the ROC out if it failed to attend the annual conference because of politics. When that inevitably was passed onto ROC President Li Teng-hui and the nation's chief academician Wu Ta-yu who heads Academia Sinica, Li decided that the price to pay for the original decision had become too high.

In making the stunning reversal, however, the government has reiterated that the ROC delegation is not an official representative of the ROC. Rather, it is a private group of scientists unattached to government. In fact, Wu, who lobbied harder than anyone for permission for the delegation to attend the conference, will not be going himself, since as head of Academia Sinica, he is a quasi-government official.

If all goes well, this will mark the first encounter between cultural, sports, or scientific groups from mainland China and Taiwan on either mainland or Taiwan soil. Since the ROC Government liberalized the family visitation policy nearly a year ago, it has been under increasing pressure to further liberalize the no contact policy. Sports groups, journalists, and other cultural groups have been lobbying for access to scheduled venues on mainland China. But the ROC Government has treaded carefully in these areas, weighing the costs and benefits of each liberalization toward the mainland. The scientific meeting in Peking is another litmus test for this endeavor.

GIO Chief on Mainland Filming Ban
OW2908234088 Taipei CNA in English 1603 GMT
29 Aug 88

[Text] Taipei, Aug. 29 (CNA)—In line with the government's current policy towards the China mainland, local companies are still not allowed to shoot films on the mainland. Shaw Yu-ming, director general of the Government Information Office, [GIO] said Monday.

The GIO chief added, however, that government agencies are studying both the feasibility and the problems that would be encountered by allowing local film companies to film on the mainland. A proposal on the issue will be submitted for the Executive Yuan's approval shortly.

The government will take the film industry's interests and needs into account when deciding the issue, Shaw assured film circles, asking them to be patient.

Shaw said the government will "not take a passive role" in cultural exchanges between the two sides of the Taiwan Straits.

In the first stage, the government will allow selected mainland publications, films, and radio and TV programs to enter the nation, he said. Then, the government will permit the export of local publications, films, and radio and TV programs to the mainland.

Asked if the government would allow TV programs shot on the mainland to be broadcast on local TV channels, Shaw said the GIO is drawing up guidelines for such programs. According to the guidelines, each of the three local TV stations will be allowed to play 1 hour of mainland-shot programs at different times each week.

Hong Kong

Mainland Dissident Fang Lizhi To Arrive 1 Sep
HK0108073988 Hong Kong SOUTH CHINA MORNING POST in English 31 Aug 88 p 2

[Excerpt] China's outspoken critic of Marxist orthodoxy, astrophysicist Fang Lizhi, starts a week-long visit to Hong Kong tomorrow.

The visit, his first, is at the invitation of the Chung Chi College of the Chinese University. On Monday next he is scheduled to give a lecture on his favourite topic, the Creation of the Universe.

Professor Fang, who will be accompanied by his wife Mrs Fang Li Shuxian, is on his way back to China after an academic visit to Australia.

He will meet reporters and talk to new students at the Chinese University and visit the local branch of the NEW CHINA NEWS AGENCY.

In January, the Chinese authorities refused to let the scholar travel to Hong Kong despite signs of a more tolerant policy toward the nation's dissidents. [passage omitted]

Fang To Lecture at University
HK0109025988 Hong Kong SOUTH CHINA MORNING POST in English 1 Sep 88 p 23

[By Terry Cheng]

[Text] Last year Professor Fang Lizhi was in disgrace, sacked as vice president of his university and kicked out of China's Communist Party.

But now life is much sweeter for the dissident, who arrives in Hong Kong today to give a lecture at the Chinese University.

The astrophysicist was expelled from the party along with journalist Liu Binyan last year at the height of the antibourgeois liberalization campaign.

Professor Fang, aged 52, was accused of inciting student unrest in late 1986 which prompted the leadership to launch the campaign.

He was sacked as vice president of the University of Science and Technology at Hefei, Anhui.

The student demonstrations first started at his university—one of the best tertiary institutes in China. The protest at the campus was triggered by accusations of a lack of democracy in the elections of deputies to the local people's congress.

Democracy has long been a point of contention for Professor Fang. In interviews, he argued that economic development in China would be impossible without parallel growth in democracy.

From Hefei, he was transferred to the Beijing Observatory where he continued his research in his special field—astrophysics. He moved to the quarters of his wife, Fang Li Shuxian, a physics teacher with the Beijing University.

An official statement about his expulsion from the party in January of last year listed "facts showing that he is no longer qualified for party membership", including statements by him that Marxism-Leninism was out of date and of no use as a model for China.

Thanks to overseas public opinion that opposed the purge of the scholars, the Communist Party became more tolerant of dissidents, and Professor Fang has since been allowed academic and travel freedom.

In March of last year—two-months after his expulsion from the party—he re-appeared publicly by giving a scientific report at a meeting of the Chinese Physics Society in Beijing.

In May he was allowed to take a visit to Italy and stayed there until the end of June.

About the same time, Mrs Fang was elected a deputy to the municipal people's congress in the Haidian District where the Beijing University is located.

In February this year, the professor was promoted from fourth grade to second grade professor, which entitled him to a monthly increase in salary of 20 yuan (HK\$42) and to better housing.

In May he was allowed to take his first visit to the United States at the invitation of several universities.

Earlier this month the scholar, accompanied by his wife, made a three-week academic trip to Australia. He arrives in Hong Kong today for a week-long stopover.

Professor Fang has been invited to visit Hong Kong in the past, but was not given approval.

Beijing now seems to have changed its mind over allowing dissidents to visit the territory. Journalist Liu Binyan last month visited Hong Kong where he met Taiwan human rights campaigner Mr Chen Ying-chen.

Professor Fang has chosen the creation of the universe as the topic for his public lecture in Hong Kong. However, he is sure to face political questions about China.

He continues to exert his influence on mainland politics. During the anti-bourgeois liberalization campaign, he was accused of propagating wholesale Westernization for China. He once said: "Democracy does not belong solely to the West and without democratization in China there can be no modernization."

Professor Fang argued that Marxism had outlived its usefulness in China and should be discarded.

He even questioned paramount leader Deng Xiaoping's often-stated goal of building "socialism with Chinese characteristics".

"Freedom of speech and freedom of thought are the same in all countries," he said.

"The criteria of modernization has to be the same everywhere. You can't have physics with Chinese characteristics just as you can't have modernization with Chinese characteristics."

On Future Opposition Party

OW0109123688 Tokyo KYODO in English
1208 GMT 1 Sep 88

[Text] Hong Kong, Sept. 1 KYODO—The political atmosphere in China has improved in the past year but there must be even greater democratization, China's leading dissident Fang Lizhi said in Hong Kong Thursday.

But the top Chinese astrophysicist acknowledged that the level of freedom is greater than before.

Fang, famous in China for his outspoken political views, was expelled from the Chinese Communist Party and removed from his post as head of China's University of Science in 1987 during a hardline campaign against bourgeois liberalism or Western democratic ideas.

Fang said that there must be even greater political democratization and pluralization.

"China's modernization cannot be brought about by the Communist Party alone," he said on arrival in Hong Kong for a week-long visit.

Even though in the short term there is little chance that an opposition party could be created in China, the country cannot escape Asia's general trend toward democracy, he said.

According to Fang, an opposition party will eventually be set up in China, though he denied any intention of leading or taking part in such a party.

"I am a physicist not a politician," he said. "The views I express are my individual opinions."

He also insisted he has no intention of ever rejoining the Communist Party from which he was previously expelled in the late 1950s during another political campaign against liberal intellectuals.

Fang, 52, is returning to China with his wife from an academic visit to Australia.

Earlier this year the government prevented him from making a similar trip, but this time there had been no problem leaving China, Fang said.

Fang was accused by Communist Party leaders including Deng Xiaoping of inciting student unrest during a wave of student demonstrations in support of democracy and faster reform in late 1986.

The astrophysicist, one of China's few scientists with a worldwide reputation, became a major target of the antibourgeois liberalism campaign mounted by party conservatives in reaction to the student unrest.

During the campaign, which brought about the fall of Communist Party Secretary General Hu Yaobang, Fang was accused of advocating complete Westernization of China.

Although he denies wanting to base China's future only on Western models, he sticks to the view that democracy is vital to the country's future.

"We should have complete openness, but that does not necessarily mean complete Westernization," he said.

Democracy, however, is universal in its meaning, he said.

"The most basic content of democracy, the most basic human rights problems, such as freedom of speech, freedom to publish and freedom of thought are the same everywhere," Fang told reporters.

"If China is to develop it must change its socialism which is based on Stalinism and Maoism," he said and repeated his view that Marxism is completely out of date.

On the present economic problems facing China, Fang said that economic reforms were one of the reasons behind rapidly increasing prices, but he also blamed corruption for contributing to the increases.

Further study is necessary on how to develop the economy, he said.

While holding on to his political views, Fang now concentrates on scientific research in Beijing where he was sent after being removed from the University of Science in the central China city of Hefei.

Although his new post as a researcher brings less contact with students, he has no administrative responsibilities which means he can devote more time to his own work, Fang said.

Fujian's Chen Guangyi Visits Hong Kong
OW2808043288 Fuzhou FUJIAN RIBAO in Chinese
3 Aug 88 p 1

[Dispatch by Huamin (Group) Company Ltd. from Hong Kong on 1 Aug]

[Excerpts] A 13-member goodwill delegation headed by Chen Guangyi, honorary president of the Fujian Provincial Association for Friendship with Foreign Countries, arrived in Hong Kong on the afternoon of 1 August after winding up its goodwill visit to Thailand and Singapore. The delegation will spend 7 days in Hong Kong for work inspection.

Immediately after its arrival in Hong Kong, the delegation visited the Huamin (Group) Company Ltd., which is an organ stationed by our province in Hong Kong. Here the delegation met with Fujian's personnel stationed in Hong Kong. [passage omitted]

Chen Guangyi pointed out: The present situation is quite favorable to our province in developing an export-oriented economy. However, there is a great deal of work for us to do: First, Fujian should have a better understanding of the world. The world trend at present is to reform, open up, compete, and develop. Whoever dares to reform, open up, and compete will achieve development. To open up, we should uphold the guiding thought that we can afford to let foreign businessmen make money. We should provide investors a safe environment for investments. Only thus can foreign businessmen make long-term plans. Second, we should let the outside world understand Fujian. Now, a number of foreign businessmen only know the past of Fujian, but have little knowledge about its fresh changes and new measures in recent years. In view of this, we should do more propaganda work about Fujian. At the same time, we should take concrete action to earn the good prestige that "Our words are always followed by our actions" to enhance foreign businessmen's confidence in their investments in Fujian. Third, to orient itself to the world, Fujian should not only follow the same trails that led others to success but also open new avenues in line with its own characteristics. It is imperative to make full use of Hong Kong's information, technology, capital, and other favorable conditions to promote Fujian's export-oriented economic development through its organ stationed in Hong Kong as a "shop window." In conclusion, Chen Guangyi stressed that the next 3 years will be a crucial period for Fujian if it is to orient itself to the world. The organ stationed in Hong Kong, he added, should not only step up its work locally but, just as Hong Kong has been doing, stretch its antenna to various parts of the world to win glory for Fujian.

At the meeting, Zhao Xuemin, secretary general of the delegation, gave a briefing on the visit to Thailand and Singapore. Huang Changxi, deputy head of the delegation, also spoke on the occasion.

During its stay in Hong Kong, the delegation will meet with representatives of Fujian's institutions in Hong Kong and other departments concerned, as well as with other public figures there.

Law Circles, Party Members Discuss Basic Law
HK3108134388 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 33, 15 Aug 88 pp 3-4

[Article by Xian Huayi (0405 5478 1355): "Democratic Party Members and People From Law Circles in Beijing Discuss the Draft Basic Law for Solicitation of Opinions"]

[Text] Since the release of the "Basic Law of the Hong Kong Special Administrative Region (Draft) for Solicitation of Opinions" in late April this year, mainland citizens, who are not very familiar with the Basic Law, have shown increasing interest in the drafting of Hong Kong's mini-constitution. The secretariat of the drafting committee received several dozen letters sent by state cadres, technicians, workers, servicemen, reporters, and town dwellers from all over the country. The Basic Law drafting committee takes their written opinions and suggestions seriously.

Since early June, Beijing has successively held several meetings to solicit opinions on the draft Basic Law.

On 7 and 8 June, Standing Committee members of the National CPPCC discussed the meetings after listening to a report presented by Hu Sheng, vice chairman of the Basic Law drafting committee and convener of the coordinating group on the drafting of the Basic Law. On 14 July, at the invitation of the Basic Law drafting committee, those members of the NPC Standing Committee and its law and foreign affairs committees who happened to be in Beijing enthusiastically discussed the "Basic Law Draft for the solicitation of opinions." On 19 July, the CPC Central United Front Department asked the responsible persons of various democratic parties, organizations, representatives of intellectuals who are not party members, scholars, and relevant experts to carefully scrutinize the "Basic Law Draft for solicitation of opinions." On 30 July, well-known people from Beijing's law circles held two forums to discuss the "Basic Law Draft for the solicitation of opinions." In mid-August, consultations were successively conducted in Shanghai, Fuzhou, Guangzhou, and other cities. The Issue that Draws the Most Attention—Relationship between the Central and Local Authorities [subhead]

Regarding this local constitutional law of the country, mainlanders have shown the greatest interest in the articles and provisions in its Chapter I, "General Principles," which embodies the principle of "one country,

two systems," and its Chapter II, "Relationship Between the Central Authorities and the Hong Kong Special Administrative Region." Acknowledging that the "Basic Law Draft for solicitation of opinions" has been rather satisfactorily prepared, they frankly and unrestrainedly expressed their views. Having lived in China for a long time, some speakers seemed to give more thought to "one country" than to "two systems."

Some said: Although in the future the Hong Kong Special Administrative Region will enjoy a high degree of autonomy allowed by the central authorities, it is still necessary for the latter to monopolize foreign and defense affairs and those matters that are within the jurisdiction of the Central People's Government. Some other speakers said: According to PRC laws and systems, the NPC and its Standing Committee undoubtedly have the authority to make, amend, and interpret national laws. Of course, the NPC can make a decision to delegate all or part of this authority to the relevant departments or locality who are capable of exercising it.

Some pointed out in their speeches that the Constitution contains provisions that protect the proper rights and interests of Overseas Chinese, Chinese, returned Overseas Chinese, and the families of Overseas Chinese. However, the proper rights and interests of Hong Kong people and their families in the mainland should also be protected.

Some language experts suggested: After the motherland resumes the exercise of its sovereignty over Hong Kong, Chinese should be made the principal official language of the Hong Kong Special Administrative Regions and, in the use of Chinese, standardized simplified characters should be popularized because even the Republic of Singapore and many oriental studies organizations in the United States prefer simplified characters when they use Chinese. However, there were others who suggested that "Chinese and English should be used side by side" or that "Chinese should be made the chief language a little later." Some speakers expressed the hope that the Basic Law will show more concern for Hong Kong's adolescents, who account for over 30 percent of its population, suggesting that articles on protecting their healthy growth be included in the Basic Law.

There are Too Many Provisions and Articles on Economic Policy and the Policy Regarding Education, Science, and Culture [subhead]

Many speakers maintained: Because of the historical background against which the Basic Law is being drafted and because of the lineup of the drafting committee, too many things have been crammed into "the Basic Law Draft for Solicitation of Opinions," and the number of characters in it is even greater than the number of characters in the "Constitution of the People's Republic of China." They suggested that in making further

amendments in future, provisions on other matters should be made less detailed rather than more detailed and some provisions on specific policy matters should be deleted.

For example, Article 15 specifies in great detail too many administrative affairs to be put under the jurisdiction of the Hong Kong Special Administrative Region. However, not everything is covered and there are still defects in it. This is precisely what should be avoided in legislative work.

Those provisions on policy matters which they proposed to delete are mainly in Chapter V, "Economy," and Chapter VI, "Education, Science, Culture, Sports, Religion, Labor, and Social Services." Many experts pointed out that Article 105, which is about the Hong Kong Special Administrative Region's budget, revenues, and expenditure, concerns economic policy and should be put into one of the annexes. Although Section 5, "Land Leases," Section 6, "Shipping," and Section 7, "Civil Aviation," in Chapter V are prescribed in the Sino-British joint declaration, they can be made into annexes. Some speakers suggested: The interpretation and revision of these provisions on policy matters in the next 50 years can be more flexible than the interpretation and revision of the Basic Law proper. In this way, the Basic Law will stay in keeping with the development of Hong Kong and will not confine the Special Administrative Regional Government.

The provisions in Chapter VI on the development of science, education, culture, sports, and medical and health services are mostly provisions on policy matters and can be handled in the same way.

However, some experts worried that as soon as all these provisions are subsumed under the "annexes," the structuring of the annexes may become a new headache.

Pertinent Opinions From the Law Circles [subhead]

At some of the forums held, some law scholars and responsible persons of administrative departments put forward some pertinent opinions on the inadequacies of the "Basic Law Draft for Solicitation of Opinions," the legal language used, the rigorous procedures, and a host of other technical problems. For example:

They suggested that Article 6 be rewritten as "The right to legally acquire property, the ownership of property, the rights to possess, use, dispose, and inherit property, and the right to compensations for lawful take over shall be protected by law" and the rest of the article be included in the annexes.

Article 17 is not clear about the status of various laws' originators and the relationship between them. The State Council does not promulgate laws made by the NPC, but

the State president does. The State Council only promulgates regulations formulated in accordance with various laws. The status of laws must not be degraded to that of regulations.

The third paragraph of Article 18 says that a statement issued by the Chief Executive shall be binding on the courts. This may lead to interference in judicial affairs by the executive.

They suggested that those "who have reached the age of 21" be deleted from Article 25, "Permanent residents of the Hong Kong Special Administrative Region who have reached the age of 21 shall have the right to vote and the right to stand for elections as prescribed by law."

In Article 38, the word "still" can be inserted before "be implemented through legislation by the Hong Kong Special Administrative Region" to show continuity.

In Article 45, in the part that deals with the principle that the method for selecting the Hong Kong Special Administration's Chief Executive, the expression "gradual and orderly progress" is used. But it is not the language of law. According to Alternative 1 in Annex I, a candidate must win over half of the votes to be elected. However, this is not rigorous enough. Does this "half of the votes" mean half of the votes cast by members of the electoral college or half of the votes cast by voters? Are the members of the nominating committee, who have neither the right to vote nor the right to stand for elections, excluded from this? Must a candidate win half of the votes or more than half of the votes to be soundly elected?

Article 94, which is about judicial assistance, is too vague and therefore difficult to enforce. They suggested that some principles be included in this article, so that it would be easier in future to settle disputes between Hong Kong and mainland provinces, cities, and autonomous regions and international legal disputes.

It Is Hoped That a Compromise Will Be Arrived at on the Political Structure [subhead]

Since the beginning of the consultation on the "Basic Law (Draft) for solicitation of opinions," consultation in China, as in Hong Kong, has rarely been focused on Chapter IV, "Political Structure," which is an important issue. Not that mainlanders are indifferent to this matter, they are of the opinion that since this is a major internal affair of Hong Kong that affect Hong Kong people and interest groups, it should mainly be handled by Hong Kong people.

It is regrettable that the several proposals for electing the Chief Executive, the legislature, and the first government have remained untouched and juxtaposed as they were. No one wants to make any concessions and moves to come closer to each other and reach mutual understanding are still not in sight. Obviously, this will adversely

affect the drafting work. Consultation will come to an end in October. However, at the end of this year, when an official Basic Law Draft is scheduled to be submitted to the NPC Standing Committee for elaboration and approval, only one proposal can be submitted. If there is still no compromise by that time, the Basic Law drafting committee will have to decide. Many mainlanders suggested: None of the proposals in the "Basic Law Draft for solicitation of opinion" is 100 percent acceptable. People will give "80 marks" only to a new proposal that embraces all the reasonable and feasible parts of various proposals and only such a report will be acceptable to all people and interest groups.

To produce an "80 marks" new proposal, people from various quarters in Hong Kong should initiate positive and rational discussion and harmonious dialogue, in order to seek the correct mutual understanding concerning maintaining Hong Kong's economic prosperity and social stability.

Government Warned Over Job Vacancies

HK3108074388 Hong Kong SOUTH CHINA MORNING POST in English 31 Aug 88 p 1

[By Terry Lee]

[Text] The Government was warned yesterday that unless it allows foreign workers to fill some of the 60,000 job vacancies in local garment factories, the textile industry may lose important orders to competitors in Taiwan and Singapore.

Without the additional workers, factories will have difficulty fulfilling the quotas allotted to Hong Kong by its trading partners, particularly the United States where protectionist sentiments are high.

"If Hong Kong fails to finish the quota, the U.S. will cut the amount in the coming years, and this is going to adversely affect the general economy," warned Mr Chan Sui-kau, chairman of the Textile Council of Hong Kong and the Clothing Industry Training Authority.

"While it takes only a stroke of the pen to cut the quota, it will be virtually impossible to get it increased again," he said, adding that it would impede the industry's growth and inevitably hinder Hong Kong's economic development.

Mr Chan claimed that the textile industry, which is Hong Kong's biggest, was suffering from a shortfall of about 60,000 workers, three times the Government's estimate of about 20,000 vacancies.

The Government's figures came from vacancies reported to the Census and Statistics Department under the category of "manufacturers of wearing apparels except footwear".

While figures might fluctuate depending on the definition of the clothing industry and the source of information, Mr Chan said the shortage of labour was more acute in the clothing industry than in the construction sector.

"The Government is considering importing labour to the construction industry, but I say our problem is even more serious," he said.

Unlike other manufacturing industries, clothes manufacturing must be carried out in Hong Kong due to restrictions under the certificate of country of origin.

Although some work procedures have been illegally moved across the border to take advantage of cheaper labour in China, the Trade and Industry Department has been stepping up prosecutions.

The Textile Council has commissioned a survey to discover the extent of the labour shortage, wage levels and the level of automation in the industry. The results will be available in a month.

Mr Herbert Cheng, centre manager of the Clothing Industry Training Authority, shared Mr Chan's worries, saying that due to the significance of the quota system in Hong Kong's export-led economy, a blow to the clothing industry would adversely affect other sectors.

He explained that fewer quotas would mean less production, less transportation of goods and communication of trade information and reduced need for letters of credit and other financial tools.

Both Mr Chan and Mr Cheng say importing workers is a feasible solution to the problem.

Faced with the cheap labour costs in other countries Hong Kong has to go up-market to out-perform its competitors meaning that factories have to produce fashionable, well-designed and high quality clothes, said Mr Chan.

But these areas required skilled workers and automation could offer little help, he added.

In addition, the predominance of small and medium size plants in the local industry meant a lack of capital to invest in automation and the production process did not lend itself to economies of scale.

"In the ever-changing fashion world, a machine will be useless once the fashion changes," he said. "It is uneconomic except to a few large operators working on very big orders."

On the other hand, Mr Cheng said importing workers would free local employees to concentrate on supervision and production planning, which would help boost and upgrade production.

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